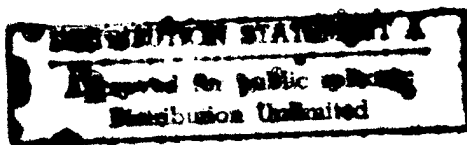


JPRS-CAR-89-097  
20 SEPTEMBER 1989



**FOREIGN  
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# ***JPRS Report***



# **China**

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## GENERAL

### Implications of Trend Toward Multipolarity in Global Economy

OW0409124289 Beijing BEIJING REVIEW in English  
No 35, 28 Aug-3 Sep 89 pp 11-14

[Article by Huang Suan: "Multipolar Tendency in the World Economy"]

[Text] To the whole world, the multipolar development of the world economy is the negation of the bipolar economic system of the postwar world. To the West, it is the negation of the system with the United States as the center. The multipolar development of the world economy is mainly reflected in a Western world that is changing from a unified domain under the leadership of the United States to one with the United States, Europe and Japan, the three forces, confronting each other. The rise of Japan has been the most spectacular. Although the change is not something new because it began at the end of the 1960s and in the early 1970s, the 1980s have seen many developments of great importance.

#### New Developments in the 1980s

(1) The tendency of the world economy to develop into regional groups is strengthening and going deeper. The movement of the European countries to establish economic integration has recovered vigorously in the middle of the 1980s after a cooling-off period of seven or eight years. The European Economic Community (EEC) has not been satisfied with the current forms of economic union at a low level and has decided to explore ways of establishing one at a higher level. In recent years, Japan has taken the initiative in pursuing the establishment of an "East Asian Economic Circle" which will include the five nations of the Association of Southeast Asian Nations (ASEAN) and the four little Asian dragons—South Korea, Singapore, Hong Kong and Taiwan. In addition, Japan has been trying to promote economic cooperation among the countries and regions in Asia and the Pacific. It wants to set up an economic group with itself as the center to confront the United States and the EEC. In the 1980s, the United States has changed its traditional policy of arranging multilateral negotiations and opening up to the whole world and gradually turned to implementing a policy of bilateral, mutual benefit. The changes in U.S. policy are more important and of deeper significance for setting up regional economic groups than the efforts of the West European countries to establish a single market and Japan's plans to establish an East Asian economic circle.

(2) The functioning of the global multilateral economic system has been greatly weakened. In the early postwar years, the United States, in order to establish a unified world market under its own domination, had taken the lead in setting up a global system on the basis of free trade and convertible currencies. The system included the General Agreement on Tariffs and Trade (GATT), the

International Monetary Fund (IMF) and the World Bank. Now more and more parts of the system have been harmed and replaced by regional multilateral and bilateral arrangements. Some international trade principles put forward by the United States, such as the holding of multilateral negotiations, freely opening up trade and non-differential treatment have gradually lost their meaning. The international currency market dominated by the U.S. dollar is unstable and confused. The unified world economic system has been further weakened.

(3) The situation where what the United States said counted for much in deciding issues of great importance to the West has been replaced by a process of consultations among most of the Western countries. Regular consultations among the heads of seven countries—the United States, Japan, West Germany, France, Britain, Italy and Canada—where they make decisions on important economic issues have been established since 1975. In 1985, the United States, Japan, Federal Germany, France and Britain established a system of consultations among their financial ministers to decide questions of currency and trade. The United States holds discussions with Japan before the Western countries begin their economic talks so as to gain its support ensure coordination with it. This shows that power in the world economy is being dispersed among many centres and the economic hegemony of the United States is on the decline.

It is necessary to point out that although the multipolarization of the world economy has close relations with the development of regional economic systems, they are not the same thing. The reason why Western Europe and Japan can become poles in the world economic system is that they have enough economic and technological strength to confront the United States and form their own economic systems which have great attraction to neighbouring countries. Their efforts and plans to establish regional economic groups are not the reason. For example, although many Third World countries have set up all kinds of economic regional groups, it is difficult for them to become one center of the world economy because they lack the economic and technological strength of Japan and Western Europe.

#### A Tide Difficult To Reverse

There are many long-term and short-term factors that are promoting the development of a multipolarized world economy. The long-term ones can be catalogued into the following aspects:

(1) The United States will have less strength to support and maintain a unified world economy. Under these conditions, it is impossible for other Western countries not to seek their own path and try to establish their own economic systems to defend their interests.

(2) The rapid scientific and technological development has strengthened the imbalance of economic strength of various countries and caused uneven development within a country. It has also stimulated the rise of new

technological power or flourishing regions. The speed at which old industries change into new ones has also been accelerated. In the current scientific and technological revolution, the crisis in the adjustment of the structures of declining industries and unemployment arising from this has increased the burden of the Western countries which they all want to transfer to other countries. In addition, the West has been experiencing economic depression in the last 10 years. As a result, economic nationalism and trade protectionism have been quickly gaining ground. Along with economic and technological competition becoming increasingly intensive, the West is seeking ways to get rid of its troubles by forming regional economic groups.

(3) The internationalization of world economic activities has complicated even further these economic relations. The world economic system established in the early postwar years is not suited to the current changes in the situation. The United States is also unable to deal with these changes. Transnational activities in trade, production, management, scientific research, service industries and banking have increased. The production of each country has become more specialized and the international division of labour has intensified. The extension of world economic activities which have become more complicated has brought many problems difficult to solve on a worldwide scale. Western countries all hope to find more satisfactory ways to solve these problems within a region.

It can be said that economic groups are the product of mutual interaction of the intensive scientific and technological competition and the internationalization of world economic activities. The idea of economic groups was advanced when there as intense economic and technological competition and protectionism flourished, and it was a way of achieving internationalization of economic activities and strengthening the policy of opening up and cooperation within an area. It advocates opening up to each other as much as possible within the group so they can implement non-differential treatment among themselves and reach a high level of free trade. Externally, it pursues the policy of limited opening up and applies differential treatment. Making use of the differences in its internal and external policies, it can not only confront world competition but also satisfy the demand for the internationalization of world economic activities.

(4) The easing of world tension will help reduce the threat of the Soviet Union to the West. So it will be more difficult for the United States to put Western Europe and Japan under its control on the promise of providing military protection. The independent tendencies of Western Europe and Japan will be further strengthened in the coming years while the idea of accelerating unity in the Western alliance will be weakened.

The main short-term elements which have promoted the multipolarization of the world economy are the uneven economic development of the West, especially the big

trade and budget deficits of the United States which will harm the interests of its trading partners and worsen its relations with them while it deals with these deficits. This will encourage the other Western countries to get rid of its control and go their own ways.

### Intention and Goal of Each

Both the United States and Western Europe as well as Japan do not want to seek the division of the world market. Western Europe and Japan still do not want to assume the role of the United States in maintaining the world economic system. They have their own intentions in establishing regional economic groups apart from the common goal of promoting the internationalization of economic activities.

The United States is still insisting on maintaining a unified world economic system, advocating multilateral trade talks and giving full play to the functions of the GATT and IMF in regulating world trade and finance. However, it is also pursuing a mutually beneficial policy in bilateral trade and a regional preferential policy. In 1982, it appealed for the re-opening of talks within GATT which later were called the "Uruguay Round." However, in 1983 it established a Caribbean preferential trade zone and signed bilateral free trade agreements with Israel in June 1985 and Canada in January 1988. It is planning to sign a similar agreement with Mexico. It is promoting multilateral global talks and bilateral talks at the same time so as to realize the so-called free trade it has been pursuing.

The U.S. signing of the free trade agreement with Canada was designed to put pressure on Western Europe and Japan.

Japan advocates holding multilateral global trade talks and does not agree with the United States on establishing a system of bilateral free trade. It has been hoping to strengthen economic cooperation in Asia and the Pacific. In recent years, it has speeded up its effort to establish the East Asian economic circle. The efforts of Japan can be considered a response to the movement in Europe to establish a single market as well as an attempt to deal with the ideas of the United States to establish bilateral free trade.

The aims of the West European countries in promoting economic integration and a regional economic group is to heighten their ability to compete with the United States and Japan and change their backward technological situations. They want to unify their enterprises and high-tech research works through strengthening the unity of the market and in this way increase the competitive ability and strength of their enterprises and speed up the development of their economies. They also want to promote their political and military cooperation and strengthen the position of Western Europe in the world through their efforts to promote economic unification and their regional economic group.

### **Influence Upon International Situation**

The decline of U.S. world economic hegemony, the polarization in the world economy and the balanced development of economies in various other countries have, generally speaking, had a good influence on the world situation.

The pursuit of more free and open policies within various economic groups will probably speed up the circulation of commodities, services, capital, technology and labour forces, reduce circulating funds and decrease both the cost of products and their prices. With the internal division of labour within regions and competition among enterprises deepening, productivity of all member nations will be raised. Through transnational alliances and cooperation between the enterprises of various member states, large benefits of economy of scale can be gained. The enterprises will be stronger and their ability to develop sophisticated science and technology will be increased. With the establishment of new institutions to solve economic and trade disputes, protectionism and economic contradictions within the economic groups will be eased. In a word, economic growth will be promoted and more employment opportunities be created.

Meanwhile, because of the economic development of the various groups their total trade volume will increase and the absolute volume of foreign trade may well increase, thus partially compensating for any decrease in foreign trade share as a member of a group. Furthermore, economic amalgamation will also stimulate the exchange of capital between various countries and between member states and non-member states, strengthen economic ties between them and promote mutual economic development.

In the 1990s there will exist in the West favourable economic factors for a turn for the better. The two fundamental ones are the vigorous growth of the industrial and technological revolution and the great success of Western economic readjustment. A new upsurge will probably come despite the twists and turns. The polarization and amalgamation of the world economy will probably exert a positive influence to a certain extent on this new upsurge of the Western economy as a whole and have an obvious and favourable influence in regional areas.

In the political fields, the polarization and amalgamation of the world economy will lead to the reorganization of the forces of the big Western countries. The United States cannot on its own maintain its position of world hegemony and it has to use outside forces to preserve its leading position. It should ally with both Western Europe and Japan. However, the objective situation forces it to pay more attention to dealing with the vigorously developing Japan and to settle its relations with that country. The situation in which the United States and Japan will strengthen their alliance at

the same time competing with each other will be noteworthy in East Asia and the world.

The polarization of the world economy and the balance of the economic strength of the big countries will surely increase the contradictions and competition between them or between the blocs of which they are members. At the end of the 19th century and early in the 20th century, the first polarization of the world economy and the balance of the economic strength of the big countries led to intensive competition and two world wars between the big powers. There were serious confrontations between the economic groups in the 1930s. Since World War II, the world situation has undergone great changes. The current polarization of the world economy and the equipoise of economic strength between the big countries cannot lead to the confrontation of economic groups such as occurred in the 1930s and to war. On the contrary, it will draw the superpowers into economic competition, thus helping strengthen the easing in the world situation and peace. The polarization of the world economy will simultaneously lead to international competition and cooperation. This will be a major trend of international relations in the 1990s.

### **NORTHEAST ASIA**

#### **Problems for Japan in Creating 'East Asian Economic Circle'**

40050629

[Editorial Report] The domestic edition of the Chinese-language Beijing journal LIAOWANG (OUTLOOK) No 24 of 12 June 1989 published on pages 44-45 an article discussing Japan's recent activities in its ongoing efforts to create an "Asian-Pacific Economic Circle" and "East Asian Economic Circle" and points out some of the problems it will face in the process. The article, which was not published in the Hong Kong LIAOWANG OVERSEAS EDITION, was written by LIAOWANG special reporter Yao Li [1202 0500].

Yao Li notes that the Japanese Government has been very active recently in promoting economic cooperation in the Asian-Pacific region. Yao points out that the Ministry of International Trade and Industry (MITI) announced that it plans to hold a meeting of economic and trade ministers of Pacific Basin countries in the fall to discuss regional economic cooperation, trade, and investment. Also, MITI recently discussed regional cooperation with visiting economic ministers from Australia and Canada and the three sides acknowledged the strong interest and desire expressed by the various countries of the Pacific to participate in regional cooperation. These developments, says the reporter, show that Japan is ready to bring about the Asian-Pacific economic cooperation it has talked about for so long.

Yao notes that after more than 30 years of talking about Pacific Basin economic cooperation, during which time the idea faded because of regional suspicions about the

motives of Japan and the developed countries, the Japanese have noticeably revived their planning and discussion since the end of 1987. Yao identifies three reasons for the revival: 1) The rapid economic development and success of the "four little dragons" and the ASEAN countries have increased the confidence, interest, and enthusiasm of Pacific Basin countries toward regional economic cooperation. 2) The planned 1992 unification of Europe's markets and the free trade agreement signed by the United States and Canada have led Japan to worry that it will be left standing alone economically. Thus, Japan has turned to the idea of an Asian-Pacific economic circle as a means of countering the two emerging western economic blocs. 3) Three international conferences held in Japan in 1988, the Sixth Pacific Economic Cooperation Council meeting, the Asian-Pacific Economic Outlook Conference, and the summit of the Asian-Pacific Region Entrepreneurs' Organization helped to create a resurgence in Japan's interest in regional economic cooperation.

Examining Japan's thinking in recent years concerning Pacific Basin economic cooperation, the reporter takes note of a couple of changes. First, says Yao, Japan has shifted its emphasis from cooperation among the developed countries to cooperation among all of the East Asian countries and territories (referring to Taiwan and Hong Kong). Second, Japan has refined its discussion from the vague "Pacific Ocean Economic Circle" to the smaller-scale "East Asian Economic Circle." Yao theorizes that Japan has reduced the number of participants because it would find the more restricted "East Asian Economic Circle" more realistic and possible. Furthermore, the "East Asian Economic Circle" can serve as an economic counterweight to Europe's unified market and the U.S.-Canadian free trade zone.

Turning to a subject of great concern to the Chinese, namely, China's role in the proposed circle, the reporter notes that in Japan's private sector, the academic community views China as an important element in its conceptualizations of an East Asian economic circle. Citing examples, Yao points out that the International Society of Professors for Peace, in a symposium on East Asian economics, unequivocally stated that China, Japan, and South Korea should form the nucleus of the "East Asian Economic Circle." In a similar forum sponsored by Kitakyushu City, participants discussed the idea of a "Yellow Sea Economic Circle" comprising China, Japan, South Korea, and Taiwan. A point of similarity in these conceptualizations is the recognition that with the marked changes brought about by reform and opening up to the outside world, and with a population of 200 million and an area 4 to 5 times that of Japan, China's developing coastal areas will be a decisive factor in Asia's economy until the 21st century.

The reporter finds that the Japanese public widely recognizes that "the 21st century is the era of the Pacific

Basin" and is very optimistic about the need for and the probability of a "Pacific Ocean Economic Circle," and an "East Asian Economic Circle" in particular. Yao draws the reader's attention, however, to the following problems he foresees facing Japan.

1. Exercising a leadership role. Yao notes that Japan's public and private sectors both agree that Japan should take the leading or central role by doing three things: a) increasing its dialogue and improving bilateral relations with Asian countries, correcting Japan's foreign policy tendency to "forsake Asia and join Europe" (quotation marks in source), and dispelling the wariness that Asian countries feel toward Japan; b) using Japan's huge Official Development Assistance (ODA) fund effectively and encouraging Japanese private enterprises to increase their direct investment in and technology transfer to Asian countries; and c) opening Japan's domestic market to Asian countries and gradually replacing the United States as the market for Asia's industrial goods, promoting interregional trade, and reducing its favorable balance of trade with individual Asian countries. Yao observes that, although Japan has increased Asia's quota in the ODA and has decided to compensate for its favorable foreign trade balance, it has also been overcautious in engaging in direct foreign investment and technology transfer. Japan's efforts to open up its domestic market have also been very limited. These problems, Yao predicts, will hurt Japan's ability to act as the leader.

2. Getting around East Asia's internal problems. Yao says that realization of the "East Asian Economic Circle" is threatened in varying degrees by the following internal problems in East Asia: The reunification of mainland China and Taiwan, and of South Korea and North Korea; the difficulties of coordination between countries of different systems; the great differences in the development levels of the various countries; and COCOM restrictions on technology transfer.

3. The Soviet Union's role. The reporter observes that whether in the public or private sector, the Japanese virtually exclude the Soviet Union in their plans for an "East Asian Economic Circle" and a "Pacific Ocean Economic Circle," mainly because of the dispute over the northern territories. He notes that the Japanese view the Soviets with fear and a deep-rooted prejudice. The Soviets, on the other hand, are afraid that the "East Asian Economic Circle" proposed by the Japanese will become an anti-Soviet, anti-communist alliance and will therefore very much oppose being excluded.

Yao Li believes that the prediction that the 21st century will be the era of the Asian-Pacific region will prove to be true, that the development of economic cooperation in the Pacific Basin is part of an international trend of increasing regional economic cooperation, and that the proposed "Asian-Pacific Economic Circle" or "East Asian Economic Circle" will become more and more concrete and probable.

### Mainland Called Sham 'People's Republic'

40050660 Hong Kong MING PAO in Chinese  
23, 24 Jul 89

[Article by Yan Chia-chi 0917 1367 0366: "China Is Not a 'Republic'"]

[23 Jul 89 p 6]

[Text] The Beijing massacre on 4 June was the darkest page in Chinese history. On this day, Deng Xiaoping, Li Peng, and Yang Shangkun tore apart the veil of the "republic." The people in China and the whole world clearly realized that a country known as the "People's Republic" did not belong to the people, nor was it a republic. A republic does not allow anyone to become an emperor or king either in name or reality. It does not allow the highest power of a country to be controlled by one person. Deng Xiaoping is the de facto last emperor of China, but he accused the student and democracy movements of subverting the People's Republic. A real people's republic cannot be subverted by anyone. The student and democracy movements of an unprecedented scale that occurred in Beijing in the spring of 1989 have greatly shaken the empire decked out with "socialism" and "republic" and sounded the death knell of the autocratic government of Deng Xiaoping, Li Peng, and Yang Shangkun.

### Three Characteristics of Autocracy

Contrary to a "republic," Mainland China, under the control of Deng Xiaoping, established a typical autocratic government. To many countries, autocracy has already become a thing of the past. People always think that, as long as emperors or kings are overthrown, autocracy will no longer exist. The contemporary history of China shows that even if a country does not have an emperor or king in name, even if it is known as a "republic" and decked out with the feathers of "socialism," autocracy still may exist.

Autocracy has three obvious structural characteristics: First, the highest power of the country is concentrated finally in the hands of one person, and it is not allowed to be divided by anybody or any institution. In a speech on 9 June, Deng Xiaoping said that China cannot implement the "system of three balanced powers" and should instead "adhere to the system of the People's Congress." A recent meeting of the Standing Committee of the National People's Congress [NPC] proved once again that the so-called "standing body of the organ of the highest state power" must in fact take orders from the dictator Deng Xiaoping. Under normal circumstances, the NPC Standing Committee seems to be able to make its own decisions on the convocation or agenda of a meeting. In fact, if the dictator interferes, the NPC Standing Committee will not be able to make its own decisions on the convocation of a meeting. If it convenes a meeting, the agenda must be agreed on or approved by the dictator. Deng Xiaoping said that China cannot implement the "system of three balanced powers." In

other words, the power of the organ of the highest state power and that of the highest state executive organ must not surpass that of the dictator. On 4 June, the Supreme People's Court sent a telegram directly to the Politburo of the CPC Central Committee and, on Deng Xiaoping's order, pronounced the student and democracy movements as "serious counterrevolutionary riots." In this situation, "judicial independence" is out of the question.

The second characteristic of autocracy is that the highest power concentrated in the hands of one individual cannot be transferred. Mao Zedong's lifetime tenure brought great disasters to China and made the people realize the necessity of "eliminating the lifetime tenure system of the highest leadership." After Mao Zedong, Deng Xiaoping refused again and again to hold the highest leading positions of the CPC and the state. Over the years, the people developed a good impression that Deng Xiaoping volunteered to give up power. Deng Xiaoping expressed on many occasions that he was going to retire. He said that the reason why he had not retired was because the people did not want him to and he would as long as the people want him to. The 4 June massacre fully exposed the face Deng Xiaoping had carefully covered up over the years. Facing the indignant denunciation of people throughout China, not only did he absolutely refuse to give up the highest power but, because the people wanted him to retire and step down, he also ordered using tanks, armored cars, and machine guns to suppress totally unarmed students and citizens. In spite of the opposition of all people in China, after the 4 June massacre, the 85-year-old dying old man tracked down and arrested at all costs all people who had complained and expressed doubts about him. In a speech on 24 June, Deng Xiaoping clearly stated that if "the image and prestige of the leader of the third generation" cannot be established—namely if Mainland China cannot produce a leader who is completely at his command and fully controls power—Deng Xiaoping will never give up the highest power.

The third characteristic of autocracy is the lack of procedures for succession to the highest power. In history, many kings, emperors, and leaders again and again designated the successor of their throne, but once the successor's power was slightly expanded, changing successors would become unavoidable. The fight over the right of succession to the throne also made it impossible to have any designed procedure for the succession to the highest power. In contemporary China, Mao Zedong and Deng Xiaoping held the power all their life. As far as they were concerned, the succession of power was a unique event. After Mao Zedong designated Liu Shaoqi as his "successor," Mao Zedong did not hesitate to launch the Great Cultural Revolution to eradicate Liu Shaoqi's forces when he thought that Liu Shaoqi, Deng Xiaoping, Peng Zhen, Lu Dingyi, Luo Ruiqing, and Yang Shangkun had formed a "small circle" that threatened Mao Zedong's highest power. When Mao Zedong's "closest comrade-in-arms and successor," Lin Biao, formed a new "small circle" with Huang Yongsheng, Wu

Faxian, Ye Qun, Li Zuopeng, Qiu Huizuo, and Chen Boda, the destruction of Lin Biao too became unavoidable. After Lin Biao, Wang Hongwen was chosen as the "successor." In the 1976 Tiananmen Incident, Mao Zedong saw people protesting against Wang Hongwen and Zhang Chunqiao, so he finally chose Hua Guofeng as the "successor." After Deng Xiaoping took over the dictatorship, Hu Yaobang and Zhao Ziyang became one after another his chosen "successor." But Deng Xiaoping too can not avoid the predicament that all dictators in human history had to face. Once his successor has a slight conflict with his will, he will at all costs throw away all procedures and change the succession to the highest power.

[24 Jul 89 p 2]

[Text] In present-day China, Deng Xiaoping is an emperor without the title of emperor and a dictator both in name and reality. Deng Xiaoping's power is not allowed to be divided or transferred, and there is no procedure to speak of in the succession of the highest power. Therefore, the People's Republic exists only in name.

#### **The June 4th Massacre Enhanced the Power of Li-Yang Clique**

Li Peng and Yang Shangkun's clique and Deng Xiaoping have common interests as well as some differences. They have no difference on the issue of maintaining autocracy and their personal power. The June 4th massacre tied them closely together. But on what Deng Xiaoping called the issue of "reform and opening up," the Li-Yang clique, especially Li Peng and Yao Yilin, does not totally agree with Deng Xiaoping. Since Li Peng became the premier of the State Council, the tendency of Li Peng's policy has been "going back to before the Great Cultural Revolution." The differences and conflicts between Li Peng and Zhao Ziyang on the issue of "reform and opening up" are, in essence, a kind of boycott against implementation of Deng Xiaoping's "reform and open" policy. Not long ago Deng Xiaoping said that the report Zhao Ziyang delivered at the 13th party congress on behalf of the CPC Central Committee emphasized the continuity of the reform and open policy. Today, this report of the 13th party congress must remain completely unchanged. Deng Xiaoping said: "There have been many slogans, including 'overthrowing Deng Xiaoping,' but we have not heard anything about 'overthrowing the reform and open policy,' which explains that the people are happy with the reform and open policy." It is obvious that Deng Xiaoping's remarks were directed at the Li-Yang clique. He would never allow anyone, including Li Peng, to negate the "reform and open policy" he has advocated for the past 10 years.

The 4 June massacre was a bloody reactionary military coup of modern China. Although Deng Xiaoping ordered the massacre, the massacre and the tracking down and arrest that followed were directly enforced by the Li-Yang clique. The massacre and the ensuing

tracking down and arrest made it impossible for the opposition force in the ruling stratum of Mainland China to rise. Using the extermination policy and terrorist politics that went beyond even fascism, the massacre and the tracking down and arrest have substantially enhanced the force of the Li-Yang clique which temporarily resides in the ruling stratum of China.

#### **Deng Xiaoping Faces New Challenge**

There are two common forms of political autocracy. One is that the dictator is very powerful and that within the "circle of highest power" nobody can form a "small circle" and everyone who has control of a major power must pledge loyalty directly to the dictator himself. Another form is that when the dictator is not powerful enough and his reputation is declining, two or more "small circles" will form within the circle of highest power. In order to maintain his position of highest power, the dictator will be forced to use "the political balancing technique" to play the trick of "political balance" among different forces. Since Deng Xiaoping made a series of erroneous policies in recent years (such as deciding to throw out Hu Yaobang, "charging ahead" to carry out price reform without considering actual conditions, and speaking on the "riot" on 24 April), Deng Xiaoping's actual prestige is declining as each day goes by, forcing him to rely on military power in his control and "political balance" to maintain his power. The new Standing Committee of the Political Bureau established at the 4th Plenary Session of the 13th CPC Central Committee is essentially a product created by Deng Xiaoping playing the "political balancing trick." To suppress the expansion of the Li-Yang clique, Deng Xiaoping has adopted two major measures. One is to squeeze Jiang Zemin, Li Ruihuan, and Song Ping into the Standing Committee of the Politburo. Another is to make Jiang Zemin, who is outside the Li-Yang clique, become the general secretary.

During his conversation with Li Peng and Yao Yilin, Deng Xiaoping emphasized that the leading body should be centered on Jiang Zemin and that they must not form small circles because they are not convinced. He also said that forming small circles will come to no good end. Deng Xiaoping said: "The new body is not incompetent." This is directed fully at Li Peng's incompetence. The 4th Plenary Session of the 13th CPC Central Committee defined a new setup for the ruling stratum of Mainland China. Deng Xiaoping used Jiang Zemin, Li Ruihuan, Qiao Shi, and Song Ping to contend with Li Peng, Yang Shangkun, and Yao Yilin, whose power is expanding day by day. Jiang Zemin's power was not bestowed by the people, nor did it come from democratic election in the party. Many people "are not convinced" about Jiang Zemin's ability to be the general secretary. He will discover sooner or later that when he exercises the power of general secretary, he will face the same kind of problems his two predecessors, Hu Yaobang and Zhao Ziyang, had to face.

### **Deng Xiaoping's Speech Predicts the Sure Fall of Li Peng**

The convocation of the 4th Plenary Session of the 13th CPC Central Committee and Deng Xiaoping's recent speech indicate that after the massacre and tracking down and arrest, in order to get moral support for the power built on military suppression, Deng Xiaoping not only will take over various slogans brought up by the student and democracy movements but also will start sooner or later looking for a scapegoat and making the clumsy, incompetent Li Peng the first target of attack.

On the interrelations within the "circle of highest power" in Mainland China, there will be three possibilities:

The first possibility is that facing new, large-scale resistance from students and the people, the force represented by Jiang Zemin will integrate with the Li-Yang clique to make up various differences and jointly deal with the democracy movement in China. The second possibility is that, in order to further expand its power and to resolutely resist the setup Deng Xiaoping arranged at the 4th Plenary Session of the 13th CPC Central Committee, the Li-Yang clique will adopt various means to reduce the power and influence of Jiang Zemin and Li Ruihuan.

The third possibility is that, at a proper moment, Li Peng and even Yang Shangkun will step down as scapegoats to alleviate the people's hatred generated by the massacre and tracking down and arrest. Deng Xiaoping admitted that the student movement was "caused by corruption" and expressed that "there must be a limit to killing." Jiang Zemin also said: "We must strictly distinguish between contradictions of two different categories, strictly enforce policies, and act strictly according to law." Deng Xiaoping made these remarks after indiscriminate killings and arrests, in order to explain to the people that he personally did not believe in indiscriminate killings and arrests and that he was not responsible for such actions.

Among the three possibilities, the first possibility is very small because it is very difficult for students and the people to stage new, large-scale resistance due to the extremely cruel massacre and suppression. The second possibility is unlikely because the Li-Yang clique has lost the last trust of the people, so whatever effort they make to expand their force will be resisted and opposed by people throughout China. Therefore, in the coming years and months, China's political situation will develop along the third possibility. There is no way to avoid Li Peng's fall. It is only a matter of time. Deng Xiaoping has already found a candidate for the future premier in the new Standing Committee of the Politburo.

### **"Republic" Must Be Rebuilt**

Unfolding struggle around the succession to the highest power will become an important characteristic of Chinese politics after the 4 June massacre. This is a struggle

for power under the disguise of "stopping arguments" and "enhancing unity." Everyone within the circle of highest power in Mainland China must be extremely cautious whenever he does or says anything for fear that the other side may seize his weaknesses. "The lifetime tenure system of the highest power" has fully exposed its fatal weakness. Autocracy has come to a dead end in today's China. Today, not only have 1.1 billion Chinese people deeply suffered the immense misery brought about by autocracy, but yesterday's Hu Yaobang and Zhao Ziyang, today's Jiang Zemin, and other Politburo members will also worry constantly, due to the unpredictable danger in politics. The iron rule of autocracy is that power is not distributed according to contribution. Li Ximing [2621 6932 6900] and Chen Xitong [7115 1585 0681], who rendered outstanding meritorious service in the massacre, did not get more power. At the price of the blood and lives of thousands of people, the 4 June massacre has made more and more people realize that after overthrowing the reactionary group of Deng, Li, and Yang, China must carry out a serious political reform. Now neither "socialism" nor the name of "People's Republic" can cover up the essence of modern autocracy which has several thousand years of tradition and new characteristics. In order to prevent the reoccurrence of the 4 June massacre and the Great Cultural Revolution, in order to guarantee "democracy, freedom, rule by law, human rights" and long-term Chinese political stability, and in order to avoid the loss of blood, lives, and freedom in cases both of victory and defeat of a political struggle, the most urgent tasks facing China now are as follows: First, we must fully expose the face of the political autocracy and dictatorship of Mainland China, thoroughly tear up the veil of a fake "people's republic," and let more people clearly see that China, a country known as the "People's Republic" is not really a "republic." Second, we should resolutely overthrow the reactionary rule of the Deng-Li-Yang clique and fight for the reconstruction of a great people's democratic republic.

### **Official Calls for Improved Ideological, Political Education**

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[Speech by He Dongchang: "Current Work and Tasks of Institutes of Higher Learning," delivered at opening ceremony of a seminar on ideological and political work in China's institutes of higher learning]

[Excerpts] The number of college and university teachers and students involved in a turmoil that developed into a counterrevolutionary rebellion, as well as the large scale of this rebellion, was unprecedented over the past 40 years since the founding of the republic. The students involved represented more than 600 colleges and universities in over 80 large and medium-sized cities. Of them, the most acute and heated was Beijing. This turmoil spread from Beijing to the entire country. The ideas involved far exceeded actions. This poses a very sharp



question for our education: How can we train people with professional skills who keep to a firm and correct political orientation and who are willing to serve the people? [passage omitted]

In the past, we proposed that education should serve proletarian politics; now, we propose that education serve socialism. Serving socialism should include serving politics. We should attach primary importance to political orientation. The qualified personnel we train must, after all, be both socialist-minded and vocationally proficient. If our orientation is incorrect, no questions can be solved. At present, it is necessary to train a number of key members who will rally as many students around the party as possible. Key members of the faculty must do their work among students. On the one hand, they must fully expose the very small number of people who scheme against the party and socialism; on the other hand, they must conduct thorough-going and painstaking ideological and political work by having heart-to-heart talks with students one after another to dispel their doubts. We must win over and unite all those that can be united. We must both show warm concern and set strict demands on them. During the forthcoming semester we must draw clear distinctions concerning cardinal issues of right and wrong in this struggle. [passage omitted]

During the past few years, there has been confusion in the concept of education and in its guiding principles. One educational theory negates the concept whereby education has its class nature and that as far as education is concerned there exists the question of "for whom?" This theory holds that education is not an instrument or accessory and that education means training human quality in an abstract way. This blurs the orientation of education. [passage omitted]

I will give my views as follows:

1. Leading cadres and teachers, particularly party cadres and teachers, must fully understand the nature and root cause of this struggle and its seriousness and inevitability, so they can see eye to eye with the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and Comrade Deng Xiaoping's speech. We must draw a lesson from our bitter experience. Up to now, quite a number of facts and true stories have been exposed, and we will continue to make efforts in this field. We must let

students know what kind of organization the "Self-Government Union of College Students" is, what reactionary activities it carried out, and why the Voice of America played such a role in this turmoil. We must study well this "large textbook" which spanned more than 50 days. [passage omitted]

2. To keep to a socialist orientation, a school must have staunch party organizations. School party organizations must be strengthened to solve the question of why a person joins the party and the question of his value concept. No party members should be eroded by money worship or individualism. No party members should lose the faith of serving the people and striving hard for communism. We find bourgeois liberalization in fundamental opposition to the four cardinal principles; hence, we face the question of which way we should make reform. Shall we bring the superiority of socialism into full play? Or shall we practice capitalism? We also face the question of whether we should adhere to the two basic points. All our party comrades in schools must have a clear understanding. [passage omitted]

3. It is necessary to strengthen the study of the basic theory of Marxism-Leninism. It is out of the question for anyone who is not theoretically accomplished to work in a college or university. Members of a school party committee and party cadres must take an interest in studying theory. At a time when our country is making reform and opening to the outside world, we must have the basic ability to identify a variety of Western social theories, including "Western Marxism." Otherwise, we will lose our vigilance and even become apathetic to the invasion of erroneous ideological trends. Misguided by an erroneous theory, we may commit gross errors. Furthermore, if we are not theoretically accomplished, we cannot implement well the party Central Committee's line, principles, and policy. To win a victory in this struggle, we must thoroughly understand the guidelines of Comrade Deng Xiaoping's speech and make greater efforts to strengthen theoretical study. In the long run, cadres of colleges and universities must have a better grasp of Marxism-Leninism-Mao Zedong Thought. It is still a herculean task.

In short, those 50 days and more were an incisive lesson to us. We must, by a self-examination of the past, study the question of how socialist countries can guard against peaceful evolution and subversion and the question of how the educational front can better train socialist successors.



## NATIONAL AFFAIRS, POLICY

### Analysis of Obstacles to Enterprise Shareholding System

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[Article by Yang Chuntang 2799 2504 1016, edited by responsible editor Dong Zetian 0157 3419 3944: "The Present Stage of Development in Enterprise Shareholding"]

[Text] China's system of enterprise shareholding is developed under the circumstances that reform of the economic structure develops in an in-depth manner and the opening policy continues to expand. It is a result of the fact that the theoretical circle gets a better understanding that this is an organizational system of enterprises that conforms to the nature of commodity economy. It is also a result of the fact that planners and executors of reforms continue to explore and conduct experiments on all patterns of the enterprise shareholding system. These three aspects constitute the basic starting point for evaluating and assessing China's present stage of development in enterprise shareholding.

### Development of Enterprise Shareholding

There are profound economic factors for China's development in enterprise shareholding. Strictly speaking, it is an inevitable result of reorganization, mutual dependence, combination, and competition among them in the course of lateral combination which has taken place following the development of multi-economic elements and the independence of enterprise interests.

China did not place the system of enterprise shareholding onto its proper position when its planners began reform. This was because the basic standpoint of reform at that time was the desire to invigorate enterprises with the understanding that public ownership would remain unchanged. It was just because of this thinking that we simply moved back and forth around the subject of distinguishing state power from enterprise power. Although we also thought about realization of macroeconomic readjustment and control by changing the functions of the government and attempted to force enterprises to enter the market by using such economic levers as taxation, credit, interest rates, and so on, we soon discovered that our enterprises suffered from an intrinsic systemwide weakness, that is, having an unclear definition of property rights and natural blood relations between enterprises and the state. This type of relations imposed restrictions on any great change in the vertical dependency of an enterprise in the wake of changes in its external environment, so that it was responsible only for its own profits but not its losses. These enterprises made use of the opportunities brought by the decentralization of administrative power, and placed their focus on daily

consumption rather than the accumulation of enterprises, and their capability of restraining economic acts was very low. Meanwhile, it was found that their reorganization capability was so poor that the key factors could not fully circulate. Besides, under the condition that state ownership was equal to administrative power, acts of the government were often a realization through administrative power of the owners' wishes, and the operations of enterprises were interfered with at will. Therefore, theoretical workers clearly pointed out in 1985 that the system of enterprise shareholding was a solution for the above problems and was a strategy of the ownership reform.

However, due to the conditions left over from the past, quite a number of cadres, including comrades of the theoretical circle, took a skeptical attitude toward the system. They limited the scope of shareholding to a narrow domain and field of vision, that is, lateral capital combination, and excessively stressed the speculative, interest-bearing, and parasitic nature of shares. Furthermore, people's attention on this scientific organization system of enterprises was carried away because it was at that time when the contracted responsibility system and contracted leasing system were popularized.

Meanwhile, comrades who upheld the system of enterprise shareholding proceeded from the viewpoint of restructuring the microeconomic foundation of commodity economy, developing a market economy, and solving relations problems among the government and enterprises. They got a better understanding of adopting the system of enterprise shareholding and placed the focal point and exciting point on transformation of the existing enterprise system into one based on the system of enterprise shareholding. A number of enterprises owned by the whole people started the work of introducing the shareholding system. In order to standardize operations of the shareholding economy, some localities worked out and promulgated local laws and regulations on the control of enterprise under the shareholding system. By that time, our lateral economic combination, particularly the in-depth development of enterprise groups, entered a stage of crisscrossed financing, at which one could not but adopt the shareholding system. People had their field of vision widened and got a strengthened sentimental understanding of the shareholding system, as a result of a large-scale influx of foreign capital, basically in the form of companies limited by shares or limited companies. The emergence of capital owned by enterprises diversified the internal composition of industries in state-owned enterprises, which was previously dominated by state ownership. To a certain extent, this laid an internal economic foundation for the system of enterprise shareholding.

The results of our demonstration were exciting. However, our demonstration effect at the initial stage was often caused by incidental and random acts of people rather than voluntary ones. The first system of shareholding in Shanghai, an area marked by its commodity economic tradition, was developed because individual

enterprises desired to develop diversified operations, raise funds from workers, or run tertiary industry to be collectively joined by workers. Later, this demonstration effect brought about the trial adoption of various systems of enterprise shareholding among more than 6,250 enterprises. According to statistics, Shanghai Municipality between 1986 and 1988 issued shares worth more than 1 billion yuan in total, and over 40,000 people in the municipality became the first generation of shareholders since the founding of New China. The present shareholding system among those relatively standard share enterprises has been greatly changed compared to those at their preliminary stage.

First, on the purpose of trial implementation, Shanghai was no longer at the preliminary stage of financing and increasing the income of workers. Instead, it spent great effort on property rights and transformation of the operation mechanism. Through circulation of property rights and merger of enterprises, it encouraged a rationalization of organizational structure in an enterprise, and of composition of industries. Recently, it had been experiencing a generally good situation among enterprises practicing the system, and more enterprises asked to join the experiment.

Second, on the substance of share subscription, the second group of enterprises practicing the system increased their assets by means of share subscription, in addition to adopting the system of shareholding; and enterprises that were the first ones to do so began a full-scale liquidation of their original assets and converted them into shares, whether they increased their assets or increased their stock.

Third, on the distribution of share profits, there were difference between common shares and preferred shares, in addition to dividend and bonus. While holders of preferred shares faced less risk and received dividends at a steady level, holders of common shares received bonuses in the light of operations of the enterprise in question. There were neither maximum nor minimum limits of payment. Everyone shared the profits and risks.

Fourth, shares were offered and began circulating in the market. There were shares worth more than 27 million yuan in the Shanghai market. There was a primary market that offered shares, as well as seven securities transaction counters run by Haitong Company, Jingan Trust Company, Anjian Public Finance Company, and so on. Some of them were even open to the whole country. Shares issued by companies in cities such as Wuhan and Chongqing were also listed.

Share enterprises were developing at an unprecedented rate. In the course of development, it was the economic life which could tell its own value in the most effective way, though there was repeated criticism from sources other than that of economics. Proceeding from the implementation of the system by various localities, the trial implementation had brought about remarkable changes to enterprises. The ownership of enterprises

became diversified, which allowed more than one form of ownership to coexist and combine. Also being diversified was the pattern of distribution, a switch from the practice of distribution according to work to one focused on distribution according to work and supplemented by other forms of distribution. There were changes in the leadership of enterprises, under which individual orders were replaced by a joint leadership in which the board of shareholders, board of directors, and general manager restrained each other; and workers became a part of the property subject of an enterprise, so that their initiative and their role of being the master of their affairs were further mobilized.

If we summarize the development of China's system of enterprise shareholding in a simple manner, we should say that it experienced the stage of being given a "proper name" and it is now at the experimental stage. Localities that are relatively developed have entered the stage of popularization and that of standardization. It is inevitable that China will take the road of shareholding, though its course is winding and it must face repeated theoretical and system changes. However, each of these changes will promote China's development from a shareholding economy to that of marketing.

#### **Major Characteristics of the Enterprise Shareholding at the Present Stage**

China's present system of enterprise shareholding is produced under the circumstances that its commodity economy is underdeveloped and it grows on the basis of transforming the original economic basis. Such a system of enterprise shareholding is marked by features of a preliminary shareholding system, is a system resulting from exploration and experiments, and is marked by traces of China's original economic basis. Its characteristics include:

First, generally speaking, China's shareholding system is still at the experimental stage. We are probing ways of implementation without ignoring China's present situation or violating any international general practice; ways to maintain the nature of socialist ownership by the whole people and make it into a functional and transferable market factor; ways to coordinate the interests between shareholders and laborers and make good arrangements for distribution according to work and according to capital contributions; ways to establish a supervisory organization to coordinate the tripartite relations among shareholders, decisionmakers, and laborers; scientific ways to assess the existing assets of enterprises and invite subscription for new shares of the assets; ways to appoint personnel representing share rights held by the state, as well as their position in an enterprise; ways to determine the status of legal representatives of enterprise shareholders; and so forth. As there is no unified and definite answers to these issues, various localities conduct their experiments on the subject without forming complete, systematic, and standardized rules of procedure.

Second, the pattern of enterprise shareholding varies in many aspects. There are "two systems, one enterprise," "three systems, one enterprise," "four systems, one enterprise," and so forth. In the light of having a varied ownership system, specific conditions for various trades, and corresponding reform measures for other forms of operation, theoretical circles have worked out such patterns as the "two-tier shareholding system," "system of shareholding and leasing," "group shareholding system," "total shareholding system," "shareholding system for equity joint ventures," "shareholding system for cooperative ventures," and so forth. Such a wide selection shows that China's theoretical workers and reform designers have been working tirelessly in exploration and research, and are brave in implementation.

Third, we lack necessary rules. Under general circumstances, a requirement for developing the commodity economy is to formulate rules for implementation. There is every reason for us to formulate rules, any kind of rules, concerning the shareholding system to be taken as a realization and reflection of the nature of commodity economy. 1) This system is a product of law and is a result of legal behavior by man. 2) The establishment, operation, merger, dissolution, liquidation, and financial system of an enterprise practicing the system must act in accordance with the rules. 3) The rights and obligations of various subjects in such enterprise are readjusted in accordance with the rules. For a long time in the past, however, we took this system as an equivalent of capitalism, and our legal construction for the readjustment of the system was very weak. At present, there are no laws or regulations on the readjustment of share enterprises in China, except for its Chinese-foreign joint ventures, which carry a capitalist nature and are subject to specific foreign-related laws and regulations. Though some documents have proposed certain principles of management for the share enterprises, such as joint responsibility for risks, distribution of profits, limited liability, and so on, most of them are simply abstract theories and principles, neither specific nor detailed. In order to put it into practice, we need specific and detailed laws and regulations on the operation of the enterprise shareholding system. Another issue concerning the system is that there are no definite articles of association formulated and approved in accordance with the laws. China does not have a company law to govern the articles of association of share companies. In some cases, the articles of association formulated by enterprises differed so greatly from others that basic rules concerning the operations of companies were absent. This not only makes these enterprises lack rigid internal rules and procedures for operations, which are products of the law, but also lacks necessary rigidity, so that the management of these enterprises is disorganized and chaotic. At present, cases of violating the economic practice of shareholding are often found. The fact that some people feel confused in certain areas (such as the difference in legal nature between share certificates and bonds) and that some

economic disputes could not be correctly handled is related to the lack of readjustment and standardization by corresponding laws.

Fourth, it manifests the characteristics of China's present economic basis. China's enterprises practice shareholding mainly because it is their way to establish a property rights system and management system under the system of shareholding based on public ownership, rather than manifesting how the private economy adopted the system of shareholding. This thus marks the system of shareholding, which is developed on China's specific economic basis, with the features and characteristics of socialism. Its main manifestations include:

1. State-owned shares are a major component. This is a correct reflection of China's real economic basis at its present stage, as well as a condition for developing the shareholding economy. The essence of practicing the system of shareholding in the state-owned economy is to turn the frozen and static status of state properties into transferrable and functional ones on the market, and into commodities and market products on the basis of being not detrimental to property rights under state ownership. It will be a characteristic of China to practice for the near future the system of shareholding among state-owned enterprises. The so-called taking state-owned shares as the major component refers to the practice that the aggregate value of state-owned shares occupies a dominant position in the whole shareholding economy, that some special departments and trades adopt the system of shareholding and must uphold the principle of holding shares by the state so as to put the state-owned shares into a dominant position, and that we must ensure a steady and continuous growth of earnings derived from state-owned shares. Only thus can it be possible for China to implement a full-scale shareholding practice among state-owned enterprises. This has been proved by repeated experiments conducted in various localities.

2. The practice of distribution according to work is upheld. No matter what kind of shareholding we have adopted, the production subject of enterprises is the workers of these enterprises. The initiative and creativeness of the workers in labor and production have an important bearing on the destiny of the enterprise concerned. The most direct means of protecting and stimulating the initiative of workers is to distribute the rewards of labor in a rational and fair manner. Rewards of labor are the consideration of and compensation for the conditional transfer and usage of workers' labor. If an enterprise worker is simply an owner of his labor, he is much concerned about compensation for the transfer and usage of his labor. In a socialist country, to protect the labor rights of laborers and to implement the principle of distribution according to work are the essential requirements of this society. In China's present composition of worker income, direct labor wages are the basic source of income, while indirect labor income (such as dividends and interest on bank deposits) accounts for only a small portion. Therefore, direct labor income is

still the most basic source for stimulating worker initiative. In some enterprises that practice the shareholding system, the amount of income distributed to workers did not decline as a result of dividend distribution, nor was the initiative of workers undermined after they had bought their shares. This was because they upheld two principles: First, the total distribution of dividend must not exceed the increased amount of social benefits created by raising funds through issuance of shares; and second, workers were ensured the precondition that laborers enjoyed the minimum level of labor rewards, and that they were given priority in the distribution of overfulfilled profits earned by their enterprises. Therefore, to correctly handle the distribution of labor and that of dividends is the issue to which we should pay attention in our future development of the shareholding economy.

3. Enterprise shares exist. China's experiment in shareholding among state-owned enterprises has been affirmed as a shareholding economy marked by Chinese characteristics. Its basic meaning is to confirm enterprises' practice of ownership of capital, consisting of aftertax profits retained and funds raised by them. The ownership of enterprise shares is neither the state nor a legal person. This is because the state has benefits from enterprises in the form of taxation (actually, it is the combination of taxes and earnings from assets) in two aspects, namely, taxes levied on behalf of the state and earnings from assets received by the state in its capacity as owner of the assets. Profits after the performance of such dual-purpose obligation are, of course, no longer owned by the state. Besides, the owner of enterprise shares cannot be a legal person. The concept of an enterprise does not equal that of an owner in this respect (though we treat these two as equivalent in other aspects). A legal person should be the representative shareholders, rather than representative of enterprise shares. Enterprise shares are only part rather than all of the share rights distributed by the legal person. Enterprises that have formed their capital should enjoy absolute, sole, and proprietary rights to their capital. The emergence and existence of enterprise shares are a special phenomenon of China's reform of enterprises, and are an inevitable result of dualist reform of the capital owned by state-owned enterprises.

#### **Problems Concerning the Development of Enterprise Shareholding and Analysis of Them**

The system of enterprise shareholding is a product of transformation of the economic structure in China's economic structural reform, which switches its focal point on the market and commodities. Being objectively inevitable, it has a strong life as well as various shortcomings.

Judging from the ultimate sources of driving force for shareholding economic development in the West, to practice capital accumulation, to improve the economies of scale, and to overcome limits brought by separate

types of capital are the basic sources for such development. The ultimate source of China's shareholding economic development is not to centralize and accumulate capital through shareholding companies. The main function of capital centralization is carried out through state finance and the state banking system. By using the power of the regime, a socialist country may, within a rather short time, centralize and mobilize all resources of society. This is one of the characteristics of the socialist economic system. Therefore, the ultimate driving force for socialist shareholding economic development is to turn monotonous and static state ownership into a diversified, dynamic, new structure of property rights. If one says that a characteristic of the shareholding economy in the West is the centralization of economics, China's present shareholding economy is behind that step, is to diversify the monotonous state ownership. It has to accomplish the separation of government administration from enterprise management as well as the relevant revolution. Such different sources of development made China unable to spontaneously establish at the initial stage a mechanism and rules, or to develop a standardized shareholding economic pattern.

I hold that there are systemwide defects and functional obstacles in China's present experiments in enterprise shareholding. They are as follows:

1. The subject of share rights is missing. One of the prominent contradictions is confusion about the subject of property rights. This is manifested mainly by the fact that in the system of enterprise shareholding, there is no well-defined proxy representing the share rights to state-owned assets. What China is practicing widely is ownership by central and local departments or by localities. However, this type of ownership faces certain obstacles when we implement the shareholding system: First, under the conditions that administrative power should be separated from property rights, this type of ownership, which exists in name only and the actual owner is departments or localities, is a target of reform. Neither the departments nor localities can act in the capacity of owner of the properties or exercise share rights under the shareholding system. Second, state ownership may, in reality, be manifested as an abstract concept or a rigid and uncontrollable thing; whereas the rights of shareholders are specific and controllable, or a kind of transferrable factor value. These two cannot be directly treated as equal. Third, ownership by departments and by localities are only a phenomenal feature of ownership by the whole people, and do not reflect the natural requirements and characteristics of this kind of economy. To stubbornly copy this kind of ownership by departments and localities, which is built on the basis of product economy, into the structure of an organization is unfavorable to implementation of the system of enterprise shareholding, and brings as well new obstacles to the new system. Therefore, when we implement the shareholding system in the near future, we should solve the prime issue of working out a personified pattern that

can be free from administrative intervention and that contain fully transferrable share rights.

2. The market is not properly developed. A full development of a shareholding economy depends on a perfected and mature market system, which is particularly true for securities markets. A securities-issuing and exchange market is a high-class style of the market system. Judging from China's present situation in the areas of reform of market management and financial systems, size of enterprises to be listed, ways of attracting consumption funds into the investment market, and the basic facilities, we still lack the necessary conditions for building a securities market. To a certain extent, this limits the progress made by China's enterprises in implementing the shareholding system. Under the circumstances that the market mechanism is imperfect and the pricing system is irrational, the circulation of capital cannot reflect the composition of industries. In some cases it may extend long-term plans, shorten the short-term ones, and intensify disharmonies of social reproduction.

3. State-owned property is infringed upon. Enterprises that conduct the pilot scheme of encouraging workers to hold their shares do not take assets owned originally by the state as their target of share subscription or their target of bonus distribution; whereas any worker who holds such shares enjoys dividends and is distributed bonus. In fact, this is to increase the individual income in a disguised way. We must distinguish two kinds of situation in this respect: First, the domain of expanded reproduction is independent; and second, the domain of expanded reproduction is not independent, but, together with the original fixed assets, interacts with the making of products by the enterprise in question, and takes part in the production of products and the increase of value. In the former, although there are distinctive differences between rights to the fixed assets newly formed by the additional issuance of shares and the rights to the original fixed assets, the original factors of production are still used throughout the whole process of reproduction when the form of shares is not issued in kind. This is because in the process of reproduction, an additional share cannot be issued without influences exerted by the reputation, geographical location, trademarks, and proprietary technology of the enterprise in question. Even when holders of additional shares of the fixed assets are workers (generally, this situation does not exist), it is still impossible to eliminate state-ownership on the basis that the form of shares is not issued in kind. To appropriately and scientifically assess the proportion of the original form of shares, which were not issued in kind, to the assets for which additional shares are issued, is a problem that we cannot avoid. In the latter, as the investment in the additional shares plays its role concurrently with the original assets, the functions of the original assets is, under certain circumstances, greater than those of assets for which additional shares are issued. Therefore, if we do not convert the original assets into shares and use them to distribute earnings, or if we underestimate the roles of the original assets, we are

actually infringing upon the state assets in a disguised manner. Therefore, in laws we should strictly stipulate that we must fully assess the roles of all types of shares (including shares that are issued in kind and those that are not issued in kind) in the area of profitmaking. We should strictly prohibit any act of underestimating or even ignoring the original state-owned property in enterprises. In particular, we must strictly prohibit any act of converting state property into shares and transfer them to workers without compensation.

4. Share certificates are treated as equal to bonds. In terms of distribution of dividends and bonus, people have made many mistakes and acted contrary to the rules of a shareholding economy and legal knowledge because they do not understand the nature of share certificates. They are mainly: First, the capital, together with interest thereon, is protected. The purpose of issuing shares is to let shareholders bear the risk of operation by the enterprise concerned. Dividend should be retained from the aftertax net profits, and should fluctuate with the business situation of the enterprise. When an enterprise sustains losses, its shareholders face the risk of losing their capital, in addition to receiving no dividend. If the dividend is fixed at a certain level, this will, to a certain extent, confuse the functions of shareholding with those of bonds. Second, the share capital will be refunded. Some issuing units have stipulated that the share capital may be refunded in 3 or 5 years. This goes against the nature of shareholding. Such shareholding is a variation of bonds; they are different only in terms of benefits, in which a shareholder receives at the same time the benefits of bonds and those of shareholding (with protected capital and interests thereon, refundable capital, and additional bonus). Third, the source of capital for dividend and bonus is regarded as the cost. This actually goes against the distribution mechanism of dividend and bonus. Under normal circumstances, the dividend and bonus should fluctuate in the light of operation results of an enterprise and should be drawn against the aftertax profits of the enterprise. It should be the fixed interests on bonds that should be regarded as the cost, rather than the highly elastic dividend and bonus. Since China's shareholding is, in fact, a mixture of shareholding and bonds, its benefits are not in proportion to the risks it bears. Therefore, the lower risks faced by bonds is mixed with the high benefits yielded by shareholding, so that China's shareholding economy has been distorted.

5. The organization and administration systems do not dovetail with each other. At present, the most common responsibility system being practiced by China's enterprises is that for factory manager. This kind of leadership conforms to our system of property rights by unitary subject. However, the shareholding system is suitable for an enterprise based on an organization system of property rights by diversified subjects, which requires that the power of its operator be governed by the share rights subject. This thus brings about two problems: First, how

do we change the unitary responsibility system for factory manager to the system of leadership based on the shareholding system? Second, how shall we avoid the phenomenon of a "vacuum of power" in the course of such a change, so that the normal operation of an enterprise will not be affected? If we discard the factory manager responsibility system too early, it is inevitable that the present operations of enterprises will be affected. If we stubbornly uphold this system, we shall bring obstacles to the implementation of the shareholding system. Obviously, this is a contradiction that is very difficult to coordinate.

6. There are no corresponding macroeconomic management measures. In order to implement the shareholding system among enterprises, we must, on the basis of separating government administration from enterprise management, have a rather perfect set of macroeconomic management systems and measures. However, our present macroeconomic management system and measures do not conform to changes in our economic life. For instance, one of the functions of the shareholding economy is to raise funds. Our recent experience in economic work has shown that it was easy for the state to control budgetary investment projects, but often found it difficult to control the growth and orientation of projects run by enterprises with their self-raised funds. Therefore, there were blind acts of investment, construction projects were duplicated, and there was a dislocation of investment and an inflation of investment. Although the shareholding economy has a function of promoting a rational composition of industries by encouraging the flow of capital to areas that are less invested but yield good benefits, the state must, under the circumstances that the conditions of our commodity economy are limited, formulate various economic laws and regulations, strictly control the number, scale, and investment orientation of shareholding companies; must provide more precise information about the flow of capital in society, changes in the composition of industries, long-term and short-term production development, changes in market supply and demand, and so forth; and give guidance by means of such economic levers as taxation, credit, and interest rates, in order to give play to such functions. We still have a long way to go in this respect.

7. The present taxation system is unfavorable for implementation of the shareholding system. The present taxation system adopted by state-owned enterprises is the "combination of profits and tax delivery." This system, based on the administrative power of the state, mixes the distribution of national income with distribution of national income in its capacity of ultimate property owner. In appearance, this disturbs the balance in taxation between state-owned enterprises and non-state-owned ones. In fact, this makes the natural characteristics of taxation fade away. On the one hand, there is a contradiction between the fixed and compulsory nature of taxation with the flexibility of this mixture of profit and tax delivery, which is a kind of taxation in

name only. On the other hand, it is the result of tug-of-wars and bargains between taxation departments and enterprises. Obviously, it is difficult to implement the shareholding system under this taxation system. It will be intolerable for enterprises if we implement the shareholding system under these conditions, that is, making enterprises responsible for the share benefits after paying "taxes."

8. An earnest protection system for private investment is absent. As a result of long-term, indiscriminate criticism and transformation of private ownership, people do not fully understand the concepts of property, particularly of capital. Their means of accumulating wealth is often savings deposits at banks. When the amount of their savings reaches a certain level, they use their savings to purchase high-class durable consumer goods. When they have purchased all such high-class durable consumer goods that they want, they do not know what to do. They know nothing about using, or are unwilling to use, their savings for investment, and are unwilling to take the risks of investment. They are even worried that their personal investment will bring about social pressure. People take monetary capitalization as a phenomenon that takes place only under capitalism and regard any benefits derived from money as an act of exploitation or parasitism. Their theoretical prejudice has made us unable to build a system to effectively protect private investment and has limited their expectations about the shareholding economy.

9. The legal system is imperfect. China has still not formulated the "Company Law." There is no standard form of asset assessment, as well as share subscription by payment in kind and intellectual property, and the necessary laws and regulations on the issuance of share certificates and securities transactions. Therefore, there are no systematic restraints on the issuance, transfer, exchange, and control of share certificates, thereby enhancing the prejudiced and incidental nature of economic life.

10. There are two difficult choices about the macroeconomic austerity policy. China is now at the time of readjusting its macroscopic economic policies, which aim mainly at cooling down the overheated economy. This thus brings about the contradictory choice of value between the macroscopic system and the microscopic one. On the one hand, enterprises strive to make their living despite the austerity policy. They open new sources of capital by all means, and attempt to raise more funds through the shareholding system, so as to guarantee their normal operations, as well as more space for operations and development. On the other, the overall austerity policy for the macroeconomic system controls in every manner the use of nonbudgetary capital. In particular, the banking system, which has already taken a conservative attitude toward the shareholding system, further checks the implementation of the shareholding system after its functions have been strengthened. This thus puts China's system of enterprise shareholding into a difficult position at the present stage.

Proceeding from the viewpoint of enterprises, or in terms of the enterprise system and style of operation, we must resolutely implement the shareholding system (of course, we must not rush headlong into mass action). Proceeding from the viewpoint of macroeconomic control, however, we must impose strict restrictions and limitations on the shareholding system in order to prevent enterprises from making the economy overheat. Such a contradiction between the microeconomic and macroeconomic systems has put China in a dilemma while developing the shareholding economy.

There are a number of factors contributing to the above-mentioned problems. There are constraints imposed by traditional theoretical understanding, as well as new faults brought about in the development of the new system. While some of them are inevitable when the old system is being replaced by the new one, some are being settled. Our responsibility is to highlight the inevitability of shareholding development in China's reform and development of enterprises, and to objectively reveal existing problems in order to make improvements.

### Issues in Development, Reform of Capital Goods Market

#### Stages of Development

40060676 GUANGMING RIBAO in Chinese  
15 Jul 89 p 3

[Article by Su Jiabin 5685 0163 2430 and Liang Shouyan 2733 1343 4291: "Stages of Development of the Capital Goods Market and How To Deal With Them;" first paragraph is an editorial note]

[Text] *Editorial Note: The deadline has passed for submitting articles to the special column on "How to Set up a State Regulated and Controlled Capital Goods Market" which is sponsored by ZHONGGUO WUZHI BAO [CHINA MATERIALS], the State Bureau of Materials and Equipment's Research Department and Market Regulation Department, and this newspaper. Most of the several hundred articles we have received are submitted in the spirit of contention of a hundred thoughts. They tackle the overall issue; the theories are in touch with practicality, and they offer specific suggestions on how to deal with the situations. They are valuable reference materials on how to reform the capital goods circulation system. For this reason, this paper has selected the following articles to share with the readers.*

In China, the development of the capital goods market is necessarily an integral part of the existing and future economic environment, as well as other relevant economic factors. Constrained by changes in the exogenous economic environment and by other factors, the growth of the capital goods market often takes a winding course; it entails several stages and gradual steps. In view of this process, the key to promoting the development of the capital goods market lies in grasping the crucial links in the capital goods circulation sector and in adopting a

complete set of reform measures that are appropriate and which promote substantive progress. The emphasis should be on changing the capital goods circulation mechanism. Central to this effort is the effective and proper allocation of all of society's resources.

#### Developmental Stages of the Capital Goods Market

From the standpoint of the development of China's capital goods market, there are three overall stages:

The first stage is quantitative satisfaction: The main characteristic of this stage is that the supply of capital goods must balance the industrial structure and the rate of economic development. The main problems to be solved are how to halt the runaway demands, how to balance the national economy despite the scarcity of material resources, how to promote development of the basic industries and of leading industries, and how to improve the country's macroeconomic efficiency. The solution lies in letting the state regulate and control directly the basic raw and processed materials which are in short supply and in setting up a "supply guidance" mechanism. Meanwhile, we should implement a "biased policy" in resource allocation to stimulate the supply of the scarce goods and materials as much as possible, striving to meet the demands of the industrial structure and to maintain overall quantitative balance. The most important tasks at this stage are: improve the economic environment to control inflation; take smooth measures to narrow the price gap in the "dual-track" pricing of capital goods; change the internal operating mechanism of the commodities enterprises by first separating government and enterprises; and formulate and perfect laws and regulations for the new order in the market. The purpose of all these is to create a generally fair competitive market environment.

The second stage is the qualitative effects: Characteristic of this stage is the much greater choice of capital goods to meet the demands. This means there is structural balance after achieving overall quantitative balance. The main problem to be solved at this stage is how to eliminate the separatism that is based on central versus regional interests and allocate the capital goods via market circulation. At this stage, the macroeconomic equilibrium of the national economy should be an "equilibrium of value," and we should set up a "combined supply-and-demand guidance" mechanism. The primary reform tasks are to improve the composition of the commodities enterprises, abolish mandatory allocation of goods and materials, let market prices dictate the prices of capital goods, let all enterprises compete in the market, and let the law of supply and demand determine the value of commodities. The state, meanwhile, must still regulate and control the market and retain the right to issue import-export permits, the right to suspend or limit production, the right to allocate resources properly, and other administrative rights of intervention. At this stage, the market can become standardized.



The third stage is attainment of reasonable supply capability: This stage is characterized by the attainment of reasonable capability to produce the major categories of capital goods. During this period, we should set up a "demand guidance" mechanism. The state should give guidance to enterprises guidance for development and allocation of the nation's economic resources and their corresponding quotas. Prices should be determined by supply and demand. Enterprises should make their own production and operation plans in accordance with the market factors and predictions. The market should be regulated and controlled primarily by the quantity of money in circulation. The market's random demands and the demands generated by normal economic growth should be met by enterprises' own ability to adapt to changes. After the reorganization of enterprises amid competition in the first two stages, many will become diverse, integrated enterprise groups. At this stage, the supply of major capital goods in the market will generally exceed demand.

The three stages of development of the capital goods market are organically linked. Basically, it is the degree of development of the commodity economy which determines the scale of development of the capital goods market. Judging by the state of China's existing capital goods market, it is only at the first stage of development.

#### **Difficulties and Circumstances Facing Market Development**

The state's regulation and control of the capital goods market is a process of allocation of resources by means of proper regulation and control measures under given macroeconomic conditions. Analyzing the difficulties and circumstances of market development is the starting point of formulating and implementing the proper regulation and control measures. At the first stage of development of the market, there are five problems and situations to be dealt with:

1. We are facing soaring demands and inelastic supply of resources: From now until the end of the century, China will continue to have huge and rather concentrated demands for the major basic raw and processed materials. The input of resources must increase at a certain rate to keep up with demands. The increase in demand will be fairly inelastic, and because of the poor industrial structure, sometimes there will be a large gap in the dual-track allocation of resources. The market will develop and function amid disequilibrium.
2. The shortage of basic raw and processed materials lengthens the supply cycle, and relative to the increase in demand, supply will always lag behind.
3. Dual-track pricing of the capital goods makes it difficult to achieve supply-demand equilibrium and price equilibrium via competition.
4. Their subordinate relationship to the administrative organs hampers the growth of enterprises as the main market participants. Enterprises are unable to react

correctly to market signals, which forces them to take short-term action; as a result, enterprises' vested interests become inflexible, and the state's macroeconomic controls are to some extent useless.

5. There is little market discipline, and macroeconomic regulation and control are inadequate. So far, there is no orderly circulation in China's capital goods market. There are no sound circulation laws and regulations. Despite prohibitions, illegal operations and profiteering are rampant. The planning, finance, banking, pricing, and tax departments have little comprehensive regulation and control capabilities over the way the capital goods market functions.

The above are the difficulties facing the development of the capital goods market, and they are also the growing point of a more market-oriented economy. The reform of the capital goods circulation system a few years ago aimed to enliven enterprises and expedite the allocation of resources by market mechanisms by reducing the categories and number of goods and materials under mandatory allocation plans. But in practice, reform has brought two problems: First, it has diminished the effectiveness of direct planned allocation of resources, and to some extent, the production enterprises are able to "eat out of the same big pot" of cheap resources allocated to them under the mandatory plans. Second, because of the scarcity of resources, goods and materials put into the market are appropriated by the departments or local governments and put under their plans at their respective levels. As a result, resources are "decontrolled but not circulating" or are "circulating by an undercurrent." These problems are attributable to the failure to solve the above five problems which are hampering the development of the capital goods market and to the failure to link the effective allocation of resources organically to the promotion of market development.

#### **Near-Term Market Development, Appropriate Control, and Regulation Measures**

Central to the reform of the capital goods circulation system is the gradual attainment of proper allocation of society's resources. We should target the five problems which are hampering the development of the capital goods market and take comprehensive reform and macroeconomic regulation and control measures to deal with them.

The principal measures are:

1. Improve the way goods and materials are allocated under mandatory plans and separate the effective supply into several unequal levels depending on the importance of the nature of demand. This primarily means changing the existing way of planning which primarily hands down the allocation quotas to the local and central departments by individual expense items according to the allocation bases; instead, demands generated by mandatory plans should be met by mandatory supply. We should increase the scope of planning to include



more large-scale basic construction projects and enterprise groups. As the years go by, more and more ordinary demands generated by previous mandatory allocation plans should be "guaranteed in quantity but not prices."

2. Narrow the gap between the two kinds of prices and facilitate generally fair competition in the market. Earlier reform of the capital goods pricing system taught us two things: First, with regard to the extremely scarce goods and materials, we must try to reduce excess demand and increase effective supply; prices should primarily be adjusted. Second, where supply and demand are basically balanced or where supply exceeds demand slightly, we must not miss the opportunity to decontrol those goods and materials in a planned and systematic way; it is important that we control the price increases and formulate measures to enhance our ability to increase the effective supply. As for resources which are circulating in the market, it is best not to impose a price ceiling. The reason is that raw and processed materials are upstream products; setting a maximum price limit to some extent will diminish the ability to regulate their supply. Manufactured goods are downstream products; decontrolling their prices will make it difficult to control the demand for raw and processed materials and will affect the optimization of the industrial structure. It is better to levy an incremental resource consumption tax on a case-by-case basis as the way to control demand and stabilize prices. The advantage of this method is that it is a gradual process and it makes reform of the capital goods pricing system less difficult.

3. Develop a futures market to handle the more complicated wholesale transaction of capital goods, and let the spot market handle the regular transactions. Batch transaction in the futures market is high volume wholesale transaction to match up the supply and demand at regular intervals by way of contractual arrangements. They may be in one of the following forms: commercialization of the purchase sessions; the comprehensive commodities trade centers and the large specialized commodities enterprises in the urban centers may jointly form a purchase order and wholesale trade hub; the Bureau of Materials and Equipment and the provincial and municipal procurement and marketing organs may make prior product procurement and marketing arrangements, or delegate the tasks to some purchasing agents, to meet the needs of special projects or provide special materials. Spot wholesale and retail trade means the commodities enterprises order batches of ready merchandise from the manufacturers and then wholesale those goods to the marketing network points, and the latter in turn sell those goods either through wholesale or retail. Guiding the wholesale trade is an important way for the state to regulate and control the market and optimize resource allocation. It may be in one of the following forms: the state's Bureau of Materials and Equipment and the provincial and municipal material bureaus help organize the large commodities enterprises to start a compensatory trade of resources with the

production enterprises; hold regular coordination, regulation, and contact meetings and provide guidance in linking up important goods and materials which are in short supply; critical, scarce market resources should be managed by "fixed-direction," or let the state have priority in placing purchase orders or supply their own raw materials for processing.

4. Overhaul the organizational structure of the circulation enterprises. The near-term reorganization of the circulation enterprises can be divided into three parts: for the large and medium-sized commodities enterprises that are shouldering dual responsibilities, the emphasis should be on perfecting their internal operating mechanisms; for the medium-sized and small commodity enterprises that have already adopted the contracted management responsibility system, the shareholding system should be explored; as for the long-time money losers in small enterprises, a few prototypes can be chosen to experiment with the leasing system.

5. Establish a new order in the capital goods market. To guarantee the new order in the capital goods market, basically, we must enact laws and regulations to make the new order in the market permanent and institutionalized. At this time, we should proceed to formulate a "Basic Law on the Circulation of Capital Goods," and "Law on the Punishment and Rectification of Illegal Transactions."

#### Reform of Capital Goods Market

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15 July 89 p 3

[Article by Zhang Guangwen 1728 1684 2429: "Remolding the Key Elements of the Capital Goods Market"]

[Text] Judging by the situation in recent years, the development of China's capital goods market has been marked by disorder, blockage, and disequilibrium. Disorder refers to the disorderly way the major economic entities enter and exit the market. The market is not being monitored closely; market transactions are chaotic, and the exchanges are not standardized. Blockage refers to the regional separatism in the domestic capital goods market and the incongruity between the domestic capital goods market and the international market. Disequilibrium refers to the imbalance in the supply and demand of capital goods that conceals the structural conflicts; it refers to the time-lag and the uneven pace of conversion to the market-oriented economy among different regions.

All of the abnormalities of the capital goods market reflect its functional disorder. According to one principle in the systems theory which suggests that structure determines function, it is clear that the failure of China's capital goods market to function properly is due to its deformed structure.

1. The main participants in the market are diverse and dispersed, and they tend to be dependent and unequal.

Because of the failure to separate government and enterprises, state-run enterprises are still appendages of the government. Their actions are neutralized by administrative forces, and they are not autonomous. Because exercising power and maneuvering market forces are often in conflict, a number of management companies have emerged. Because power is dictated by the monetary forces, even those powerful entities that are not competing in the market have joined in the competition. Many unequal entities have entered the capital goods market, and there are no rules when they compete.

2. Looking at the objective structure of the market, we see certain biases, including the tendency to over-emphasize one sector at the expense of another. In general, capital goods can be divided into agricultural capital goods and industrial capital goods. Toward the end of the 1950's, the emphasis was on the reproduction of industrial capital goods at the expense of agricultural capital goods. But in the early 1980's, huge sums of funds have been diverted to the processing industry, which has tipped the balance within the industrial sector, thus jeopardizing agricultural development.

3. From the point of the spatial structure of the market, pronounced natural differences have led to a ladder-shaped distribution. This market setup not only is the result of the imbalance in development between the eastern and western parts of the country but is also the direct result of the state's conflicting development strategy, which is continuously being escalated and made uneven. From the standpoint of industrial development, China should develop the western region more vigorously. From the standpoint of the need to develop an externally-oriented economy, China should concentrate on the development of the eastern coastal region. Faced with this conflicting choice, the state has chosen to extend most of its preferential policy and divert most of its funds to the eastern region, thus increasing the time-lag and the disparities in the conversion to a market economy between the east and the west.

4. From the point of the temporal structure of the market, China only has a spot market for capital goods and no futures market, no arbitrage transaction of capital goods, and no hedging. This is one of the reasons for the increasingly tight supply in the major capital goods market and for the soaring prices.

The basic aspect of the new economic mechanism can be described briefly as the state's use of economic, legal, and administrative means to regulate and control enterprises indirectly. In reality, however, enterprises maneuver the market, and the market determines government policies. The root cause of the economy's running afoul of the ways of the market can be found in the distortion of the microeconomic mechanisms and in the dispersion and the dependency of the major participants of the market. Thus, one way to build a capital goods market is to remold the major participants in the capital goods market through the shareholding system and form enterprise groups and encourage greater integration.

1. Using the shareholding system to set up capital goods enterprise groups: Let the production, circulation, and consumption enterprises which are linked together by their dependence on capital goods and the financial institutions make a joint investment and raise funds to set up some large capital goods enterprise groups. This structure facilitates closer contact among capital goods production enterprises, consumption enterprises, and commodities enterprises and strengthens the organic link among the three. Because of their stock participation, the financial institutions can use their status as shareholder to guide the development of the enterprise groups to follow the state's industrial policy. When the shareholding companies' own internal restraining mechanism replace the traditional administrative mechanism, government and enterprises can be separated, which will enable the government to manage enterprises indirectly through the financial intermediaries. The capital goods shareholding enterprise groups will be set up according to economic zones. In planning their distribution, the present industrial pattern, the resource distribution, and the potential markets should be taken into consideration.

2. Giving play to the advantages of enterprise groups and promoting greater economic integration: Integration connotes two meanings: one refers to the integrated movement of the capital goods within individual enterprise groups, and the other refers to their integrated movement outside the enterprise groups. Compared to other market entities, enterprise groups have more solid strength, and their conduct dictates the rise and fall of the capital goods market. In the market, enterprise groups compete with one another to arrive at some oligopsony prices, or negotiated prices, which in turn set the market prices. This process not only sets a limit to the market prices of basic capital goods but also reforms the pricing process of capital goods and provides one way to merge the dual-track prices.

3. Tapping enterprise groups' potential and participating in the international competition: Pushing capital goods enterprise groups which enjoy greater financial and technological strength into the international market will allow us to use foreign raw materials and foreign technology to equip ourselves and enhance the nation's competitive capability. Meanwhile, replacing many small enterprises in the international market with the capital goods enterprise groups can prevent the small enterprises with foreign trade rights to compete with one another as they compete in the international market, which seriously drains our profit.

### Price Freeze Questionable as Long-Term Solution

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No 5, 20 May 89 pp 24-25

[Article by Hu Chaoping 5170 6389 1627: "Freezing Prices Is Not a Viable Long-Term Solution"]

[Text] Since stabilizing prices is an important part of "improving the economic environment and rectifying the economic order," the State Council has made a clear-cut demand that price increases be distinctly lower in 1989 than in 1988. The government has decided to take the following steps to achieve this goal: (1) to take back the authority to set prices for some products; (2) to put into effect regulations for reporting price increases, and not allow price increases without permission, for products whose prices have been deregulated; (3) to not allow new price increases to go into effect in the first half of 1989, and postpone those that were planned. It is well worth considering whether this method of price control that seems to be a price freeze can achieve the hoped-for long-term results.

Admittedly, freezing prices can temporarily curb price increases, ease people's sense of panic about markets and prices, and contribute to social stability. From this perspective, it is a viable solution.

But economic policy must not ignore the fact that economic operations are subject to inherent laws. Even though taking coercive steps to freeze prices may achieve the hoped-for short-term results, it will have rather serious consequences and, from a long-range perspective, its losses may quite well outweigh its gains. — Freezing prices runs counter to the objectives of price reform to change the highly centralized management system, achieve a form of management in which, except for prices of a few major commodities that are important to the national economy and the people's livelihood being controlled by the state, the prices of other commodities are subject to market regulation, and rationalize severely distorted price relations. Price reform has unfolded precisely in this direction and certainly achieved definite results in the last few years. Statistics show that 70 percent of agricultural product prices, 50 percent of industrial consumer goods prices, and 40 percent of light industry product prices had been deregulated and price relations had improved considerably by the end of 1988. But price reform is still very far from achieving its final objectives, and a reverse in the trend to less distorted price relations has appeared in particular. Thus, although constant deepening of price reform is highly necessary, the steps that are being taken now are an overkill in price control and deviate from the general guiding ideology of price reform.

—Freezing prices accumulates conflicts and leaves the hidden danger of sharper price increases. This can be seen in the following two areas: (1) Inflation puts far more currency into circulation than is actually needed. Except for a part of the excess currency that can be

withdrawn from circulation in other ways, most of it can be absorbed only by price increases. If markets could now be stabilized through taking effective steps to improve the economic environment and rectify the economic order and the prices of those commodities that are actually too low were increased in a planned way, the excess currency that is put into circulation could be released slowly and not cause sharp market shocks and price increases. If this is not taken into consideration and most prices are controlled, even though prices might be stabilized temporarily, the potential pressure for price increases that would certainly continue might explode at any moment and cause market chaos and panic buying. (2) Effective supplies shrink. One of the direct causes of price increases is an imbalance between supply and demand, and very inadequate effective supplies in particular. The serious overstocking of some manufactured goods and the repeated calls for emergency help by transportation, power, and raw and processed materials industries are limiting the growth of the whole national economy. This abnormal supply structure is caused by many factors, the major one being that prices for basic products are too low and raw and processed materials have stifled the growth of production. Although there is now a great urgency to raise the prices of these products, it must be subordinated to the general goal of controlling prices, and the major fear is that it might result in more price increases due to increased costs. But this certainly overlooks the following chain reaction: Low prices for basic industrial products have an impact on the growth of basic industries, an inadequate supply of basic industrial products limits the growth of the whole national economy, and the shrinking of overall effective supplies and the imbalance between supply and demand cause more pressure to raise prices. Although the government can still take administrative steps to stabilize prices after this chain reaction occurs, many commodities will actually not be available at the controlled prices or will be limited in supply alone, while hidden or curbed inflation grows quietly, most people or enterprises would prefer price increases to having money but would be unable to buy commodities. Moreover, experience has proved that things, such as supply by voucher and commodities being limited in supply alone, are major reasons why unhealthy tendencies spread unchecked.

—Freezing prices is unfavorable to carrying out the general policy of "improving the economic environment, rectifying the economic order, and constantly deepening reform." Improving the economic environment requires establishing a rational industrial structure and speeding up the coordinated and stable growth of the national economy. The key will be to take effective steps to strengthen weak links. These steps must include raising the prices of products that are weak links. For instance, railway transport and coal prices should be raised considerably. Constantly deepening reform requires taking advantage of the

improvement and rectification to rationalize all irrational relations, including severely distorted price relations. Whereas freezing prices cannot meet these requirements.

—Freezing prices weakens people's confidence in price reform. Economic units, such as enterprises and institutions, generally favor a price policy that has stability and continuity because it helps them formulate relevant price strategies and beat out their competitors. When price policy changes too often, giving enterprises the authority to set prices at certain times and taking it away at others, enterprises do not know what to do, cannot set long-range price strategies, have to keep their hopes within the current limits of their authority, become eager for quick success and instant results, use all means to profit from price increases, and very rarely try to earn profits by carrying out strict business accounting and improving economic efficiency. Thus, too frequent price policy changes cause price increases.

—A policy of freezing prices can hardly control all prices, and it worsens distortions in the pricing system. Price increases can now be seen mainly in the following areas: (1) Since country fair trade prices were not included in the range of control, it is nobody's business when they increase. (2) Some enterprises and institutions certainly do not strictly enforce regulations on reporting price increases and either raise prices without reporting it or report it afterwards. The government takes no effective steps to control this problem. (3) Price increases occur easily and are hard to control. The required task of keeping price increases distinctly lower in 1989 than in 1988 has been broken down and carried out in all areas, which are taking steps to control price increases. But local price departments do not question price increases of products that are shipped out for sale in other parts of China and are incapable of controlling price increases of products that are shipped into their areas. Thus, although the government may try to stabilize prices completely, some units and individuals will still go their own ways and raise prices. Therefore, since prices that urgently need to be raised are strictly controlled in line with the general goal of price control while other prices that are actually already too high continue to increase, price relations continue to worsen in the midst of improvement and rectification.

In light of these negative results, this method of price control that seems to be a price freeze is not a viable long-term solution and must be stopped as soon as possible. Of course, this certainly does not mean that price increases are inevitable and cannot be controlled. Controlling too large price increases is the trend of the times, enjoys immense popular support, and is a prerequisite for achieving the hoped-for results of improving the economic environment and rectifying the economic order. But it will be very hard for price control methods to work if they are not chosen carefully. A realistic choice would be to use mostly economic laws and economic

means to settle economic issues, while allowing administrative and other steps to play only a supplementary role. The following steps could now be taken to preserve basic price stability: (1) The amount of currency issued should be strictly controlled. This is a prerequisite for controlling price increases. Price increases are caused ultimately by issuing too much currency. Trying to stabilize prices without controlling the amount of currency issued is certainly as fruitless an approach as trying to catch fish by climbing a tree. (2) A different approach must be taken in the retrenchment process to improve economic efficiency and increase effective supplies by all means. This will be the key to settling the whole price issue. (3) Improve the understanding of price reform work. Because the sense of panic among the masses has not been completely eliminated, the first sign of disturbance or trouble might cause a resurgence of panic buying and chaotic price increases. If price policies are well-publicized and explained before they go into effect, and relevant coordinated steps are announced before they are taken, the masses will be able to understand them, thereby not creating tension because of human factors. Moreover, improving people's understanding of the price reform will contribute to mass supervision of illegal price increases. (4) Order should be conscientiously restored to the field of circulation, while exploitation by middlemen and raising of prices at each level should be strictly investigated and punished. Although some commodity prices can be deregulated, corresponding special control should be exercised over them.

In summary, more realistic steps must be taken to control prices, and freezing them is not a viable long-term solution.

### Economy 'Relatively Stable'

HK1608074189 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1044 GMT 10 Aug 89

["Special" feature by Liu Hang 0491 5300: "A Review of China's Economic Situation in the First Half of This Year"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 10 Aug (ZHONGGUO TONGXUN SHE)—The development of the mainland economy was comparatively stable in the first half of this year. Initial statistics reveal that national income stood at 580 billion yuan, a 6-percent increase over the same period last year; GNP registered at a little over 700 billion yuan, a 5.7-percent increase over the same period last year. A 7-percent increase can be expected for the whole year. Both agricultural and industrial production took a turn for the better in the first half of this year.

### The Development Impetus of Agriculture Was Good

In the first half of this year agricultural production began to increase after years of being at a standstill. The acreage of spring-sown crops such as early rice and wheat was expanded, whereas the acreage of cotton, flax, and

sugar-bearing crops was reduced. In 14 early rice-producing regions 140 million mu of early rice was transplanted, a 1.4-percent increase over the same period last year, thereby ending the reduction in early rice acreage that had continued for the past 10 years. About 65.89 million mu of spring wheat was sown, a 12.5-percent increase over the same period last year. The acreage of oil-bearing crops also increased, but the acreage of cotton decreased by 2.84 million mu as compared with the same period last year, to stand at 70.36 million mu. The acreage of sugar-bearing crops decreased by 1.17 million mu, the main reason being the reduction in beet acreage in northern China. However, the acreage of sugar in southern China increased.

The good agricultural situation also found expression in the bumper summer harvest. According to initial statistics, summer grain output totaled 93.55 million tons, an increase of 2.57 million tons over the same period last year and an increase of 260,000 tons over the peak year of 1986. The output of rapeseed amounted to 5.5 million tons. Vegetables, meat, and fruit registered stable growth rates and their supplies improved. About 133 million pigs were slaughtered, a 2.9-percent increase over the same period last year.

In comparison with last year, there are better prospects for agricultural production this year, provided the agricultural policy is implemented better and weather conditions remain basically normal. The gross agricultural output value is expected to increase by 4 percent over last year. Grain, cotton, and oil production will increase, but the output of pigs will register a downward trend.

### The Overheated Industrial Economy Started To Drop

In industrial production, the industrial structure started taking a turn for the better. Energy production increased by 5.9 percent over the same period last year, the ratio between energy and industrial growth rates being 0.55:1, higher than last year's ratio of 0.27:1. The production of principal raw materials increased. Early this year there was a drop in the production of nonferrous metals, soda ash, caustic soda, agricultural chemicals, iron ore, pig iron, steel, sulfuric acid, synthetic ammonia, and chemical fertilizers, but their production began to rise in March. There was an increase in the production of cloth, silk, silk products, sugar, and aluminum products.

Economic overheating was reduced in the first half of this year, which manifested itself in the following four aspects:

1. The excessive industrial growth rate was brought under control. The gross industrial output value amounted to 639.6 billion yuan in the first half of this year, a 10.8-percent increase over the same period last year, but its growth rate dropped by 6.4 percent as compared with the same period last year.

2. There was a retrenchment in investment in fixed assets, and the number of ongoing construction projects dropped markedly. Enterprises under ownership by the

whole people invested 71 billion yuan in fixed assets, a 5.5-percent drop as compared with the same period last year. Capital construction investments amounted to 44.2 billion yuan, 3 percent less than the same period last year; investments for renewal and transformation were registered at 19.3 billion yuan, a 13.2-percent decrease. On the whole, the central authorities cut more projects than did local authorities. Approved capital construction projects and projects to be renewed and transformed numbered 5,467, a 71.2-percent drop as compared with last year's 18,967.

3. The market tended toward stability. Retail sales of social products totaled 412 billion yuan in the first half of this year, an 18.3-percent increase over the same period last year. But their growth rate was 6.3 percent lower than in the same period last year. Statistics suggest that 24 of the 29 major commodity categories registered a drop in sales. The main reasons are as follows: The prices of daily necessities dropped, market supply improved, people's desire for consumption remained stable, institutional consumption was controlled, bank deposit rates rose, social fund-raising was carried out at high interest rates, and some commodity prices increased because they gradually fell short of supply. All these affected the marketing of the above types of commodities.

4. The loan recovery rate rose and its scale was controlled. In the first half of this year the accounts showed a net recovery of 5.3 billion yuan, but the net capital input was 8.8 billion yuan in the same period last year. By the end of June, bank fixed deposits of urban and rural people had increased by 64.4 billion yuan as compared with the beginning of this year; the balance of all kinds of deposits in banks and credit cooperatives had increased by 37.7 billion yuan as compared with the beginning of this year. This constituted an increase of 44.1 billion yuan in the total balance over the same period last year. Loans exceeded deposits by 298.1 billion yuan, a drop of 18.4 billion yuan as compared with the beginning of this year. This has played a positive role in controlling demand and economic overheating.

In short, the agricultural situation took a turn for the better in the first half of this year and industry was able to maintain a certain growth rate. This has provided favorable conditions for alleviating the contradiction between supply and demand in the second half of this year.

## PROVINCIAL

### Anhui Economy Shows Slow 'Improvement'

OW0509140589 Hefei Anhui Provincial Service  
in Mandarin 1100 GMT 29 Aug 89

[Text] In July, our province overcame many economic obstacles. As a result, we further carried forward the work of improving the economic situation and rectifying

the economic order and continuously maintained stable economic development. Eight major economic indexes showed the following characteristics:

Investment in fixed assets was continuously curtailed. As of the end of July, investment in fixed assets in the province amounted to 1.8 billion yuan, a decrease of 20.4 percent against the same period last year. Of this figure, 1 billion yuan was for fixed assets investment in localities, which also showed a decrease of 20.4 percent. As for prefectures and cities, nine showed a continuous downward trend. The prefectures and cities with decreases of 35 percent or more were Huainan, Maanshan, and Anqing Cities and Chaohu and Fuyang Prefectures.

The volume of bank credit was relatively stable. As of the end of July, banks in the province provided loans worth 28.32 billion yuan, a figure which was basically the same as that at the end of last year. Of this figure, 4.19 billion yuan was for investment in fixed assets, an increase over that at the end of last year. To fully play its role in adjusting the economic situation in the province, financial circles must continue to implement the monetary credit principle of controlling total loan volume, adjust its structure, guarantee loans to key projects, and curtail credit that must be cut in timely fashion.

Total wages for workers and staff in the province from January through July reached 4.03 billion yuan, an increase of 19.2 percent over that of the same period last year. However, it was lower than the price increase in the province. Among 16 prefectures and cities, 5 of them had lower wage increases than the average level in the province. The increase in Hefei City, at only 10 percent, was the lowest in the province. The highest increase of 29.1 percent was in Huaibei City.

Labor production rate started to show a slow upturn. From January through July, the labor production rate for state-owned industries and enterprises with independent accounting systems was an average 9,694 yuan per person, up 3 percent which compares with 1.4 percent for the same period last year. The number of prefectures and cities with decreased labor production rates declined from 11 in the first half of 1989 to seven in July.

The rate of profits and taxes through sale of industrial goods continued to slide. Total cost of comparable products continued to increase. From January through July, the rate of profits and taxes through sale of industrial goods was 13.56 percent, down 2 percent from that of the same period last year, with half the prefectures and cities having rates lower than the average level in the province. The total cost of comparable industrial products showed a 19.4-percent increase, compared with 10 percent for the same period last year.

Although some achievements have been made in the improvement and rectification drive in the province, many problems still exist. It is imperative for all sectors to continue their active work and launch "double

increase and double economy" movements in a thoroughgoing way. Active efforts must also be made to control the scale of investment.

### Highlights of Anhui's Economic Development

OW2908030589 Beijing XINHUA in English  
0153 GMT 29 Aug 89

[Text] Beijing, August 29 (XINHUA)—Construction of several hundred large and medium-sized key industrial and agricultural projects in the past 4 decades has spurred economic progress in east China's Anhui Province.

These projects include a number of energy, raw materials, and agricultural and side-line production bases of national importance and provide a great amount of products to the state, according to today's overseas edition of the PEOPLE'S DAILY.

The paper said incomplete statistics show that the province has provided the state with 21 million tons of grain, 200 million tons of coal, 13.88 million tons of rolled steel, and 950,000 tons of copper.

The 22 coal mines in the Huaibei and Huainan regions are able to turn out more than 20 million tons of coal a year, making Anhui the most important coal producer in east China.

The Maanshan Iron and Steel Works has been expanded into 1 of China's 10 largest with a designed annual production capacity of 2 million tons of steel, 2 million tons of iron, and 1.7 million tons of rolled steel.

A copper production center built at Tongling can produce 80,000 tons of copper a year, making it one of China's 6 largest.

The Anqing Petrochemical Works in Anqing City is now the largest enterprise of its kind in Anhui Province and among the 13 largest in China. Its annual crude oil processing capacity is 2.5 million tons, the paper said.

The state has invested more than 2 billion yuan in agriculture. Most of the money has been used to harness the Huaihe River. A number of reservoirs and water conservancy projects have been built.

Since 1978, the provincial authorities have emphasized infrastructure development, building a number of energy, communications, and raw materials projects.

To facilitate coal production at Huaibei and Huainan, the Pingyu, and Luohe power plants have been built. Some railways have been constructed and the airport at the provincial capital, Hefei, has been brought up to international standards.

Between 1978 and 1988, Anhui's economy achieved the most rapid development in its history. Its industrial and agricultural output value jumped from the 15th to the 13th position among China's provinces, autonomous regions, and municipalities.

### **Fujian Seeks To Balance Revenue, Spending**

*OW2608131089 Fuzhou Fujian Provincial Service in Mandarin 1000 GMT 12 Aug 89*

[Text] A provincial meeting of directors of prefectural and city finance and taxation bureaus closed on 12 August. The meeting emphasized the need to go all out to achieve a balance between revenues and expenditures this year.

The meeting pointed out: The province's budget plan was well executed in the first half of the year. However, it is still quite difficult to achieve a balance between revenues and expenditures this year. For this reason, we must double our efforts, instead of slackening them, to ensure that all revenues are gathered and all major projects get funding while spending is under strict control, so that a balance is achieved between revenues and expenditures this year.

The meeting pointed out: The key to a balance between the province's revenues and expenditures lies in practicing economy and controlling spending. It is necessary to respond actively to the appeal for hard struggle made by the 4th Plenary Session of the 13th CPC Central Committee, stop extravagance and waste, and strictly control spending. All budgeted spending should be reduced by 5 percent, except for national defense spending, spending for repayment of principal and interest on domestic and foreign debts, and spending for price subsidies. It is necessary to control the scale of meetings. It is impermissible to spend public funds on dinner parties, gifts, sightseeing trips, or indiscriminate issuance of bonuses in cash or in kind. It is necessary to check and recover public funds borrowed by workers and staff members. It is strictly prohibited to borrow public funds to build private houses. It is necessary to audit the financial accounts of companies, associations and societies, and gradually discontinue various subsidies. It is necessary to continue to keep institutional purchases under strict control. It is necessary to resolutely refute the theory that deficits are harmless. We should consider the interests of the whole, persistently do only what we are capable of doing, and keep expenditures within the limits of income. From now on, organizations at various levels shall be responsible for taking care of their own deficits.

The meeting pointed out: The financial departments at various levels should actively support the development of production, and strive to increase effective supply. It is necessary to seriously implement the policy of increasing agricultural investment, use funds efficiently, and promote the development of agricultural production, particularly the development of grain production. It is necessary to assist and support large and medium-size state-run enterprises in overcoming difficulties with respect to raw and processed materials, capital funds, and transportation, and to help them increase production and income. It is necessary to strive to run well existing joint ventures, cooperative enterprises, and wholly foreign-owned enterprises, and actively support

enterprises outside Fujian in overcoming difficulties and continuing their development. It is necessary to improve the management of revenues and strive to fulfill and overfulfill the annual revenue task.

### **Shaanxi Investment Pattern Changes**

*HK1008092589 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 9 Aug 89*

[Text] Statistical data show that there has been a new change in the province's investment pattern this year and the economic results of investment have markedly improved.

Since the beginning of this year, all economic sectors in this province have conscientiously implemented the readjustment policy laid down by the central authorities and have thus achieved initial success in bringing the overexpanded scale of investment in fixed assets under control. The value of investments made by enterprises under ownership by the whole people in the first half of this year decreased by 9.7 percent as compared with last year's record, the first decline witnessed in the past 6 years. Meanwhile, the investment pattern has tended to be more reasonable. Statistics show that in the first half of this year the proportion of productive investment projects rose to 67.2 percent, an increase of 3.3 percent over the same period last year; while the proportion of nonproductive investment projects dropped to the lowest level since 1981. Of the value of productive investments, the share of investments in the raw and processed materials industry has increased markedly—in the first half of this year, the value of investments in the raw and processed material industry increased by 29 percent over the same period last year, with the proportion of investment rising from 6.4 to 9.5 percent. This is a good sign, indicating the rise in this province of a new economic structure with processing industries as its key link.

In the first half of this year, several main indicators reflecting the macroeconomic results of investment have increased by a varying extent. For instance, the proportion of investments in construction projects has risen from 3 to 5.1 percent, the fixed asset delivery rate has risen from 5 to 7.7 percent, and the floor space completion rate with regard to new investment projects has increased from 5.2 to 5.5 percent. This indicates that this year the economic results of investment projects are better than last year.

### **Shanxi Adjusts Production Structures**

*40060697 Taiyuan SHANXI RIBAO in Chinese 4 Jul 89 p 2*

[Article by Liu Bing 0491 3521: secretary-general, Planning Committee, Shanxi Province]

[Text] The industrial mix of Shanxi Province has its own characteristics. Compared to other provinces, Shanxi's



industrial mix is clearly oriented toward heavy industry. For a long time Shanxi's agriculture, light industry, and heavy industry proportions have been out of sync, and there are relatively many structural contradictions in economic life. From the overall and long-term perspectives, Shanxi's resource-priority-based heavy-industry mix is fundamentally suited to the realities of the province. It has to become more stable in line with further economic, technological, and social development. It is inappropriate for us to strictly pursue the "light industry first, heavy industry second" development path of other countries and provinces (cities) in industrializing while ignoring this fact and without analyzing Shanxi's characteristics. Readjustment of Shanxi's industrial mix should commence from the province's present realities, suiting measures to local conditions, emphasizing its strengths and de-emphasizing its weaknesses. To improve the economic and social effectiveness of the entire province, we must change the present monolithic and underdeveloped industrial mix, and, centered around strengthening its agricultural base, gradually change the "short-legged position" and weak links of agriculture and light industry, adopt moderate and gradual policy measures, and stress readjustment of the industrial product mix in a planned, measured and selective way.

### **I. Present State of and Questions About Shanxi's Industrial Mix**

Considered from the proportionate relationship between light and heavy industry in 1988, Shanxi's industrial mix was heavy industry (with an output value of 18.14 billion yuan), and light industry (with an output value of 7.27 billion yuan), for an output ratio of 28.6:71.4. Compared with the light to heavy industry output value of 49.4:50.6 nationwide in the same period, Shanxi's heavy industry proportion was 20.8 percent higher than the national average. Looking at the proportionate relationship between agriculture, light and heavy industry in 1987, the proportion among the three was 15.0:24.2:60.9, respectively, a complete change from the weak industrial base ratio of 83.9:8.7:7.4 in 1950. Still, there is a clear contrast in this proportionate relationship among agriculture, light industry, and heavy industry compared to the national average of 23.6:38.0:38.4. An irrational product mix is the outstanding contradiction in the province's heavy industry. In Shanxi's present heavy industry mix, primary mineral resource products account for 22 percent of the entire gross industrial output value, three times higher than the national average. Among primary products, coal extraction accounts for 96.8 percent of total primary product output value. Common problems among non-mineral products include crude processing, one grade, and low processing levels. The main chemical products are chemical fertilizer, three-acid products, two-soda products, and chemical mineral products, which account for approximately 45 percent. Among the construction materials, cement, bricks, and sandstone account for 77.5 percent. Cotton textiles account for 62.1 percent of

the output value in the textile industry. The industry is centered around cotton yarn and cotton cloth. Beside chemical fibers, wool, hemp, and silk products' relatively small volume, the quality is rather poor. The majority of mechanical products has low precision level in processing and the requirement of their technical skills not high. Whereas high technology products, such as numerically controlled products, large lathes, precision instruments and meters, or electronics products, are especially lacking.

After a long history of selecting and developing an industrial mix, Shanxi's orientation toward resources and markets undoubtedly is suited to the demands of comparative economic advantage and production space distribution. However, underdeveloped products are a serious problem, as are a monolithic industry, and poor integration of and coordination among industries. The situation is not advantageous to fully developing the energy resource industry and should be changed. We can change it gradually. It is certain that it will take shape and continue to develop as appropriate for Shanxi's special industrial product mix.

### **II. Trends and Goals in Readjusting Shanxi's Industrial Mix**

Important yardsticks in appraising and analyzing the rationality of Shanxi's industrial mix should be whether it is suited to and promotes the development of productivity; whether it fully utilizes Shanxi's natural strengths, resource strengths, and economic strengths; whether it is advantageous to improving economic, ecological, and social effectiveness; whether it has vigorous economic development consequences; and whether it is suited to social needs and national economic development. Based on this assessment, I feel that the short-term goals in readjusting and transforming Shanxi's industrial mix ought to be:

A. In agriculture, we must steadfastly, unswervingly, and continuously give priority to grain production. We must only let agriculture grow stronger, never weaker. Based on predictions of Shanxi's population of 29.5 million and per capita grain consumption of 350 kg in 1995, in order to attain this goal, in 1995 total provincial grain output should be 10.4 billion kg. Shanxi's total grain output should be 12 billion kg by the end of the century if calculated according to annual growth of 3.9 percent and annual average grain yield of 340 million kg. To achieve this goal means we must put out enormous effort. First, we must depend on policies, science and technology, investment, and peasant motivation to produce grain.

B. In developing planting production, in addition to striving to improve production conditions while improving land productivity and increasing simple area output, we should also stabilize grain crop area under cultivation at a certain level as appropriate. In the near



term, an appropriate proportion for grains, other agricultural crops, and planting is 80:14:6. Regarding agricultural production overall, we should stress forestry and animal husbandry. In forestry we must handle well the relationship among terms, proportions, and effectiveness. In animal husbandry we must strive to change the irrational internal structure and respond to market demands. In order to raise the entire province's forestry industry output value among total agricultural output value from 5.2 percent to 10 percent, and also must raise the animal husbandry industry's proportion from 16.3 percent to 25 percent. By the end of this century, forestry and animal husbandry must grow quicker than planting. Rural areas must continue to develop secondary and tertiary industries to have a big-five industrial mix of agriculture, industry, construction, transportation, and commercial beverages by the year 2000. We must change their proportions from 39.9:42.0:7.8:4.4:5.9 in 1988 to 30:45:8:10:7 in 1889.

C. Regarding light industry, we must further accelerate development of consumer products, raise self-sufficiency of industrial consumer products, and energetically increase effective supply and demand. We must work on product variety, color, quality, suitable marketing, and packaging, gradually forming a light industrial mix which has Shanxi's own characteristics. We must raise the proportion of total provincial light industrial output value from 28.6 percent at present to around 40 percent by the end of the century. We must also raise the industrial consumer product ratio from 60 percent at present to 70 percent.

D. Within the heavy industrial mix, we must first strive to focus on coal processing and transformation, gradually attaining coordinated development within the coal industry. In the near term we should first effect a socialist transformation of 50 percent of the province's powder coal, focusing mainly on coal coking, gasification, liquefaction, and combustion. We must strive to transform the processing of more than 70 percent of the province's coal before the year 2000, prepare to foster machine coking production, helping the area's economy develop in the multi-unified directions of "coal, electricity, and chemicals," coal, electricity, and construction" or "coal, electricity, and metallurgy." Second, as appropriate, we should gradually readjust the pillar industries of metallurgy, chemicals, and machinery. We must have sufficient high regard for developing the aluminum industry. Regarding the continued development of the machinery industry, we must provide it with equipment, working to develop coal production and effect its socialist transformation. At the same time we must also give regard to developing large-scale raw material industries needed by the province's pillar industries. Examples include chemical fibers, caustic soda, and polyvinyl chloride.

In sum, regarding guiding ideology, we must concentrate human, material, and fiscal resources to support and develop agriculture, energy industries, raw materials industries, communications and transport industries,

and export-exchange earning industries, while restricting high energy consuming industries, duplicate production industries, and the development and expansion of industries lacking raw materials or those producing noncompetitive products.

### III. Measures for Continuing To Readjust Shanxi's Industrial Mix

First, we must fully utilize various economic levers and enhance macroeconomic controls. Based upon the direction and goals of readjusting the industrial mix, we must handle differently prices, taxes, credit funds, foreign exchange, and raw material supply and demand in industries, trades, enterprises, and products that should be supported, restricted or forbidden for development.

Second, we must enhance trade guidance. Based upon the direction and goals of industrial mix readjustment, departments in charge of all trades must manage and guide in terms of product scale, direction, quality grading, technical levels, market predictions, market competition, and technical policies. Concerning trades and products to be energetically developed, we must actively support and guide them, and tie them to Shanxi's resource strengths. We must form priority industries as soon as possible, using them to develop economic strengths. Concerning restricted development industries and products, we must reorganize them thoroughly and adopt industrial policy measures as appropriate, forcing these industries to switch production, transform, merge with others, or be jointly managed.

Third, we must cut across administrative lines, fiscal relations, and ownership boundaries, gradually linking establishment of industries with development of backbone industries, and enterprises making hot-selling products with collective enterprises. So doing is advantageous to ensuring complete enactment of the state's industrial policy and to developing local resource strengths. Starting from the perspectives of macroeconomic and industrial guidance, it also is advantageous to attaining Shanxi's slanted industrial policy as well as improving technical management levels.

Fourth, we must enhance economies of scale management. If an enterprise lacks an economy of scale, production costs are naturally high. This is especially true in relatively highly mechanized trades. To achieve an economy of scale, we must meet certain conditions such as market capacity, raw materials, etc. This requires us to take note of limiting factors when constructing new plants or assigning products to old ones. We definitely cannot engage in "blind production," "cooking meals without rice," or "growing radishes slower than rinsing off the mud." To resolve these issues, besides enterprises doing a good job of market forecasting, actively preparing raw materials, and striving to attain economies of scale, other good ideas would be to actively join in united bodies and collectives in the same trade or across trades.

Fifth, we should consider legislation to guarantee thorough enactment of trade policies. We should also use

legal measures in addition to economic and administrative ones to carry out industrial readjustment. After industrial policies are legislated, we should have an authorized, specialized organization enact them. This organization should be an economically unified and policy making department. In this way we can not only resolve the industrial mix rationalization issue but we can also appropriately resolve the investment mix, product mix, enterprise mix, and technology mix rationalization issues.

## FINANCE, BANKING

### Interest Rate Adjustment Reviewed

40060703b Beijing JINRONG SHIBAO in Chinese  
26 Jul 89 p 2

[Article by Huang Senqing 7806 2773 1987 and Zheng Xizong 6774 6007 1350: "Review of Two Interest Rate Changes"]

[Text] The state twice raised interest rates for deposits and loans, once in September of last year and once in February of this year. The purpose was to use the interest lever in an effort to restrain the rise in commodity prices, and to rectify the disparity between total social demand and total social supplies. Actually, however, the anticipated objectives were not achieved, while the measures raised new problems, as shown conspicuously in the following phenomena:

1. The interest rate failed in its function to regulate capital supply and demand. Generally speaking, raising interest rates can restrain demand for capital; lowering interest rates will restrain supply of capital and stimulate demand. However, looking at the effect of the said two increases in interest rates we see that they did not restrain demand for capital, but, on the contrary, exacerbated the desire of enterprises for more capital and had the banks expand the scale of their lending. At the end of this year's first quarter, various loans granted by the Industrial and Commercial Bank of Hua An County in Fujian Province had increased by 1.071 million yuan, compared with the amount at the beginning of the year, and increased 26.77 percent, compared with the amount at the same time last year.

2. The relation between interest on deposits and interest on loans is one of a seriously inverted incongruity, and banks for the first time have signalled losses. Banks are special enterprises engaged in money operations. Whether they take in deposits or grant loans, they always require a profit. Loan interest must be higher than deposit interest. Otherwise, there would be no profit, and even losses. But looking at the adjustment of deposit and loan interest rates of 1 February this year, we see that the interest rate for fixed deposits was raised an average of 3.06 percentage points, to benefit depositors, and in addition, the practice was continued to assure the

urban and rural population that value would be maintained for all fixed deposits for 3 or more years. However, in the adjustment of interest rates for loans of circulating capital, the margin of increase was kept as low as possible, to reduce the burden on enterprises. The interest rate for 1-year loans was the same as for deposits—11.34 percent—but adding to it the rate of subsidizing maintenance of value of savings, made the banks come up with negative figures in their balances of deposits. In the first quarter of this year, the Industrial and Commercial Bank of Hua An County had interest payments 121.1 percent higher than during the same period last year. In this figure, interest payments for savings accounts had increased 160 percent, while income from interests had increased only 58.5 percent, compared to the corresponding period last year. If this situation of an inverted relation between deposit and loan interest rates is allowed to go on, banks will incur losses, and indeed find it impossible to continue.

3. The function of interest rates in regulating optimal loan structures has weakened. Raising interest rates for loans cannot effectively restrain the demand by enterprises for loan funds, and has the effect of making it more difficult for the banks to optimize loan structure. The expenditure of interest that enterprises have to pay banks for loans amounts to only an extremely small portion of the costs of enterprises and cannot possibly be used as effective means of rewarding desirable action or penalizing undesirable actions. On the contrary, interest rates enabled enterprises to hold on to loan funds beyond due date, to use them to hoard materials, and then wait to sell them at a higher price. As to Hua An County, expenditure for loan interests by industrial enterprises accounts for only 2.59 percent of production costs, and in commercial enterprises it accounts for only 1.7 percent of marketing costs. At the end of the first quarter, the inventory of commodities (products) of industrial and commercial enterprises of the said county had increased 27.61 percent, compared with the beginning of the year, and increased 50.31 percent compared with the same time last year.

The striking disparity that arose as a result of the adjustment of deposit and loan interest rates demonstrates that the current interest rate policy is irrational. Countermeasures should be adopted to rectify the distortion of the interest lever.

1. A base interest rate for bank loans must be scientifically determined, and the inverted relation of deposit interests must be amended. Interest rates must immediately be determined, taking average social profit rates as criterion. The formula for base interest rates should therefore be:

*Base loan interest rate = average interest rate for all kinds of deposits + rate of expenses (including wages) + reasonable bank profits + rate of subsidy for maintaining value of savings deposits.*

The specialized banks must, furthermore, be allowed to adjust the base interest rate upward and downward within certain limits.

2. In any attempt to resolve the shortage of capital funds, and to control further rises in commodity prices, the critical point is the effective handling of bank savings deposits. During the first quarter of this year, the state has adopted a variety of measures, and the reaction in the form of increased savings has been excellent, commodity prices became controlled also; however, there is still no place for blind optimism. To resolve the currency inflation through bank credits was a successful experience.

3. Banks are burdened with the interest expenditure at the rate necessary to subsidize the arrangement whereby value is guaranteed for savings deposits, an arrangement occasioned by the increases in commodity prices, and a burden which the enterprises cannot and should not bear. We must as quickly as possible put an end to this shifting of the predicament that is now taking place.

4. We must perfect the contractual responsibility system and have enterprises overcome their short-sighted orientation. As the contractual responsibility system is now generally practiced everywhere, there is at the core of it always the obligation to turn over of money to the treasury. This "profit mechanism" has the enterprises always expecting that the banks will yield some larger portion of the profits for the enterprises to retain, which is a typical case of short-sighted attitude by the enterprises. The specialized banks should have the right to modify independently the interest rates within the ceiling for interest rates set by the People's Bank, and banks may grant enterprises loans on preferential terms, as long as they will continue to make a reasonable profit.

## MINERAL RESOURCES

### Assessment of National Mining Industry

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[Article by He Xianjie 0149 6343 2638, edited by Tong Zetian 0157 3419 3944; researched by: Ji Fang 4764 2455, Yuan Guohua 5913 0948 5478, Xiang Jixi 0686 6549 3556, Cao Shupai 2580 2885 1014, Fu Mingke 0265 2494 3784, You Xiaocai 1429 1321 2088, Fang Min 2455 2404 and Xu Jinping 6079 2516 1627: "A Study of Mining Industry Policies (I)"]

#### [Text] I. The Position of the Mining Industry in the National Economy

The mining industry is a basic industry of the national economy. In the history of mankind, all major advances in the social productive forces have been accompanied by great progress in the usage level of mineral resources. Since the first industrial revolution there has been an increasing demand for mineral products in the social and

economic development of the world. Today, every person in the world consumes annually an average 20 tons of mineral materials. The modern world's economic growth is built on the basis of full development of mining. Over 90 percent of our country's energy and 75 to 80 percent of industrial material supplies are provided by the mining industry. According to statistics, the degree to which the energy industry depends on the mining industry is greater than the mining industry's dependence on the energy industry. It can be seen that in the growth stage of the national economy the mining industry plays a supporting and initiatory function.

The history of the world's economic development shows that the intensity of consumption of mining products and raw materials by the social economy can be depicted by a growth curve. In the early and middle periods of industrialization the intensity of consumption shows an annually rising figure. During the mature period of industrialization the mining industry's proportion in the national economy decreases gradually, the degree of reliance of the overall economy on resource consumption is relatively reduced, and the speed of growth in demand for mineral materials slows. However, the absolute volume of demand continues to grow and the consumption of mineral materials remains a major basis for maintaining the world economies, especially in maintaining the economies of the majority of developing countries. Because of the development of new industries, some major mineral materials will become the basis of new materials and energy industries.

Our country is now in the initial stage of the middle period of industrialization and modernization. Whether or not we can do well in arranging basic industries and basic facilities is the key to whether we will be able to achieve smooth development of the overall national economy. At present, our country puts 1.5 to 1.8 billion tons of mineral materials into circulation in the national economy annually. This is about half the amount achieved in the Soviet Union and a third that of the United States. It is predicted that in the 2020's there will be a dramatic rise in the consumption of minerals, raw and processed materials, and energy. The next 50 years could well be the period when the growth rate in our country's consumption of minerals and raw and processed materials will see its highest figures. It is thus necessary to place the mining industry in the position of a strategic industry.

#### II. An Analysis of Our Country's Mining Industry Structure

Our country's mining industry has seen vigorous development since the founding of the PRC and a quite complete mining industrial system supporting development of our country's national economy has been created. By the end of 1987 there were 85,609 mining enterprises, of which 7,570 were state-run enterprises and 78,039 were collective township and small town enterprises. There were also an additional 126,900 individually operated mines. More than 8 million staff

members and workers were engaged in the mining industry, constituting about 14 percent of the total number of staff and workers throughout the country. In 1987, 1.8 billion tons of ore were produced and the mining industry had a total output value of 53.607 billion yuan (calculated in constant prices—according to that year's price, the figure was 77.505 billion yuan). This was up 11 percent from the 1986 figure of 48.819 billion yuan, and constituted 5.2 percent of national industrial output value. The output value was 27 times that of 1953. In 1986, mining industry fixed assets totaled 124.8 billion yuan (original value), constituting 15.7 percent of national industrial fixed assets. The total volume of profits and taxes was 6.696 billion yuan, constituting 4 percent of the total volume of profits and taxes of national industry. Of the 12 major mineral materials the output of four—coal, iron ore, tungsten, and tin—accounted for over 10 percent of total world output. Those accounting for 5 to 10 percent of total world output included copper, lead, zinc, and manganese. These minerals have initially established our country as a major mineral producer. However, our country began mining development quite late and there are many problems in terms of resources, funds, technology, and management systems, which we must strive to resolve.

A structural analysis of our country's mining industry is provided below:

#### A. Analysis of the mining industry in the national economic macrostructure.

Between 1953 and 1985, the mining, raw and processed materials, manufacturing, and overall industries saw average annual growth rates of 9.6, 11.4, 14.2, and 11 percent, respectively. During the Sixth 5-Year Plan these figures were 4.5, 7.6, 12.8, and 10.8 percent, respectively. The speed of growth in the mining industry has declined to its lowest point yet and lags seriously behind the national economy and its downstream products.

Seen in terms of the relationship between the mining, raw and processed materials, and manufacturing industries, and the changes in this relationship, the relative scale of the mining industry has declined year by year. In 1950, the ratio between the three was 1:2.8:2.7; in 1975, 1:2.9:4.4; and in 1986, 1:3.2:4.7. From this, we can see that the lack of energy and raw materials in our country has its roots in the serious dislocation of the mining industry structure.

#### B. An analysis of the mining industry product structure.

The product structure is, on the lateral level, mainly manifested as the structural ratio between the major types of mineral products. The main characteristics are:

1. Basic energy mineral products (such as coal, oil, and gas) are in a situation where there is self-sufficiency and limited amounts are exported. However, seen in terms of long-term demand, by the year 2000 our country will experience a shortfall of 200 to 300 million tons. The

present situation of tightness in energy, centered on the shortage of electricity, will continue and the contradiction in the energy structure is extremely prominent. It is unlikely that there will be any major breakthroughs in oil prospecting, either onshore or offshore, and the oil deficit will continue to grow. In the ratio between oil and gas, natural gas is still the weak point. In 1985, the ratio between oil and gas reserves calculated on the basis of calorific value, were: Worldwide 1:1.03; the Soviet Union 1:0.5; the United States 1:1.45; and China 1:0.03. In terms of output value, the ratios were: Worldwide 1:0.66; the Soviet Union 1:1.08; the United States 1:1.09; and China 1:0.1. Our long-term strategy should be one of strengthening prospecting for and development of oil and gas, gradually reducing oil exports, expanding coal exports, and developing nuclear power in a positive and stable way.

2. The output of staple minerals (mainly iron, manganese, copper, aluminum, lead, zinc, phosphorus, sulfur, potassium, and soda) constitutes 96 percent of the world's output of nonenergy minerals and these form the main part of the various raw and processed materials in the national economy. Regarding these minerals, we have a situation in our country where there is no self-sufficiency and limited imports. From 1953 to 1986 we imported a total of 136.34 million tons of iron and steel, 10.17 million tons of nonferrous metals, and 189.7 million tons of chemical fertilizer. These figures were equivalent to 20, 43, and 118 percent, respectively, of the domestic output volume of these products during the same period. In recent years, our reliance on imports has continually increased and the volume of steel imported has been equivalent to 40 percent of domestic output volume in the same period. We have now become one of the major importers of iron and steel, nonferrous metals, and chemical fertilizer.

3. The natural abundance of rare and rare-earth minerals (over 20 types, including tungsten, tin, vanadium, and titanium) is very low and extraction volume is less than 5 percent of total ferrous minerals. However, these minerals are important strategic materials for modern and high-technology industries. We have a situation of self-sufficiency and some exports. However, it is only with a small number of these minerals, including tungsten, tin, and antimony, that an industrial superiority has been formed, and the amount of total exports is only one-tenth of energy exports. A small number of traditional export products have, due to a drop in demand over the last few years and a lack of precision processing and low quality, lacked the capacity to coordinate guaranteed prices and, thus, face a serious situation.

4. The resource potential for nonmetallic new-material minerals is very great, but development started late and progress is slow. The output value of nonmetallic minerals in 1977 exceeded that of metallic minerals. In 1986, the overall nonmetallic mining industry output value, including regular construction materials and the chemical industry, was only 4.146 billion yuan, 78 percent of the output value figure for metallic minerals. The annual

export value was only 300 million-plus yuan. Ore export volumes totaled less than 1 percent of the international market. For many high-grade and high-quality nonmetallic raw materials there is still a need to rely on imports.

5. The supply of precious metals and precious stones has, due to the lack of resources, long been unable to satisfy the needs of the national economy. In 1985, our gold production constituted 3.3 percent of the world's total volume and reserves were 1.3 percent of the world's total. Silver, platinum, diamonds, and other precious stones all require a certain degree of imports to meet demand.

The above facts show that energy resources and basic minerals which have a decisive influence on the lifeblood of the national economy, are extremely weak. In the case of minerals for which we have a resource superiority, we cannot bring this superiority fully into play. Further, the development of new-materials minerals began very late. At present, the overall mining product structure of our country is still one where the base is weak and efficiency is low.

#### C. An analysis of the mining industry production structure.

The production capacity of the various links in the ferrous metal mining industry is manifested as an inverted-T structure in which smelting capacity is greater than extraction capacity and also greater than processing capacity. The nonferrous metals industry production structure is represented by an inverted pyramid structure where processing capacity is greater than smelting capacity and smelting capacity is greater than extraction capacity. Regardless of whether we speak of ferrous metals, nonferrous metals, coal, oil and gas, or even nonmetallic minerals, the common characteristic of these industries is that the extraction and production capacity is insufficient and the mining base is weak. It is estimated that by the year 2000 the production capacity of the iron mines throughout the country will have declined by 10 percent, while copper mines will have lost 38 percent, lead and zinc mines 37 percent, and gold mines 73 percent of capacity. The insufficient mining extraction capacity will lead to a great volume of imports of raw and processed materials. This large volume of imports will, in turn, lead to smelting and processing capacities, which are already surplus, lying idle and will cause the domestic mining industry to shrivel. The concurrent existence of shortage and surplus will exacerbate the imbalance in the production structure.

#### D. Analysis of the production and consumption structures.

1. The growth rate in production volume lags behind that of consumption. During the Fifth 5-Year Plan the average annual increases in the production and consumption volume of copper were 8.1 and 9.1 percent, respectively. During the Sixth 5-Year Plan the figures were 7.07 and 10.03 percent, producing a disparity of 3 percent. From the First 5-Year Plan until the present, the

average annual growth in the production and consumption volume of nonferrous metals was respectively 8.18 and 8.32 percent. The energy supply-demand relationship is manifested as a weak balance between supply and demand under controlled production. After 1974, the supply-demand differential grew larger, and by 1980 the gap had grown to 70 million tons (of standard coal).

2. Apart from contradictions in terms of overall volume, the changes in the consumption structure and in the structure of the products produced are divorced from each other and consumption's role in guiding and stimulating production is very slight.

#### E. An analysis of the import and export of mining products.

1. The balance between the import and export of mining products and related raw and processed materials has been lost and the foreign trade deficit is growing continually larger. In 1981, the national figure for mining product exports (including steel products and chemical fertilizer) was \$5.9 billion, and imports totaled \$3.23 billion. This meant that there was a favorable balance of \$2.67 billion. In 1984, exports were \$6.35 billion and imports were 7.09 billion, leaving a deficit of \$740 million. In 1985, exports were 7.49 billion and imports were \$9.66 billion, producing a deficit of \$2.17 billion. In 1986, exports were \$4.07 billion and imports were \$7.746 billion, producing a deficit of \$3.67 billion. Between 1984 and 1986 the foreign trade deficit more than quadrupled. The percentage of mining product imports in total imports has also risen. In 1984 the figure was 25.9 percent, as opposed to 18.1 percent in 1980.

2. In import-export trade, the dual directional structure of purchasing high and selling low is extremely obvious. Exports comprise mainly mineral materials and primary products, while imports are mainly steel products, nonferrous metals, chemical fertilizers, and other high value-added products. In 1985, crude oil constituted 78 percent of our country's oil exports, tungsten ore and secondary ammonium tungstate constituted 91.7 percent of total tungsten exports, and fine tin ore and tin ingots constituted 84 percent of total tin exports. However, at the same time, we imported finished tin products at a much higher cost. Of the tin imports, solder, sheet tin, and tinfoil accounted for 75 percent. With regard to nonmetallic mining products, exports are mainly raw and roughly processed materials. However, at the same time we expend large amounts of foreign exchange importing quality cement, glass, kaolin, and high-quality fireproofed materials. The export and import amounts were about the same.

3. The standards of products are backward, quality is not high, and products lack competitiveness. Our country is the third-largest producer of tungsten carbide alloy in the world, but the quality of the product is not up to the required standards and the price of this material is only a third to a half that charged by developed countries.

## F. An analysis of mining industry structure.

1. The scale of enterprises is quite small and most have not achieved the economies of scale that are required. In the mining industry, large-scale enterprises constitute only 1 percent of the total and, in the coal and construction fields, the figure is only 0.6 percent. The technological structure is poor and the resource benefits and economic results are low.

2. In our mining economy, the development of township and small town enterprises is a special question and major issue that distinguishes us from other countries. Their appearance was historically inevitable and in the development of the national economy they will play an important role. In 1987 there were 78,039 township and small town mining enterprises throughout the country. There were also an additional 126,900 individually operated mines. Their total output value was \$15.98 billion, constituting 20 percent of the national output value of the mining industry. Together, they produced 653 million tons of ore, or 36.28 percent of total ore output. Of this, the iron output accounted for 20 percent of total iron output, gold 30 percent, nonferrous metals 16.2 percent, and nonmetallic construction materials 70 percent. The township and small town enterprises have drawn in and provided employment for a large volume of surplus rural laborers. This has prompted a switch in agricultural labor, allowed farmers to throw off their poverty and become prosperous, and brought about a movement toward industrialization and commoditization in the rural economy. However, in the last few years the development of township and small town mining enterprises has seen the appearance of some problems that cannot be ignored. Rich mines are seized upon and poor deposits abandoned, there is indiscriminate extraction, resources are wasted, serious damage is done, management is chaotic, and disputes occur repeatedly. This has seriously affected the normal operation of mining production. As township and small town mining enterprises are basically extensive operations that expand outward, we need to adopt appropriate policies to lead such enterprises onto a healthy track and explore a road for developing a mining industry with Chinese characteristics.

3. The system whereby government and enterprise functions are not separated, and where there are partitions between departments, means that mining enterprises have become appendages of government departments and internal workshops of the processing departments. Thus, mines are unable to organize production and sales in accordance with the patterns of mining, the management level is low, and normal operational mechanism and vigor are lacking. The pricing system for mining products is irrational, pricing and cost formation incomplete, prices have for a long time been rather low, and mining enterprise profits have been quite poor. Overall the coal industry is a loss-maker and losses in nonferrous metal mines run to 30 percent. These industries lack the capacity to accumulate their own funds and develop themselves and some even have difficulty maintaining simple reproduction.

## G. An analysis of mining technology structure.

On the technological level, there clearly exists a dual structure in our mining industry. New and old technologies, advanced and backward technologies, and modern production and primitive handicraft production exist side by side. Low production efficiency, a low degree of mechanization, and a low open-cut percentage are extremely prominent problems. In 1986 the degree of mechanization in our coal industry was 49.7 percent and the open-cut percentage was 3 percent and labor productivity (in unified-distribution coal mines) was 1.001 tons per man/day. The respective figures for other major coal-producing countries were 97 percent, 40-60 percent, and 2 to 9 tons per man/day. The percentage of our open-cut mines for nonferrous metals is 32 percent, while that for the United States is over 80 percent; the labor efficiency for laborers in such mines throughout the country is 0.5 tons per man/day, only about one-tenth of that in developed countries.

## H. An analysis of mining regions.

## 1. The economic characteristics of the mining industry.

The Eastern Region: In 1985, the per capita national income was 1,214 yuan, while the gross output value of the mining industry was 22 billion yuan, 40 percent of the national total. The average per capita output value in the mining industry was 45.6 yuan. The major superiorities are nonmetallic construction material mining products and other nonmetallic extraction and salt-collecting industries. Their output value constitutes 53.1 and 53.2 percent, respectively, of national output figures. The oil and natural gas and ferrous metals extraction industries constitute 45 and 49 percent. All these figures exceed the figures for the central and western regions. The eastern region has a clear superiority in terms of resources, economy, and geography. We should build this area into an externally oriented mining economy region with stress on intensive technology.

The Central Region: In 1985, the per capita national income was 623 yuan. The gross output value of the mining industry was 24 billion yuan, constituting 44 percent of the national total. The per capita output value of the mining industry was 76.4 yuan. The major superiorities are coal extraction and nonferrous metal extraction industries whose output values are respectively 61.7 and 54.7 percent of national figures. Oil and gas, ferrous metals, and nonmetallic mineral extraction also constitute quite a proportion, with respective figures of 38, 30.6, and 33 percent. The central region has obvious resource superiorities and has the task of getting the eastern region to stimulate the western region. This region should, for this century, be the main focal center of our country's mining development and should be built into the main energy and raw materials base for heavy industry and chemical industry.

The Western Region: In 1985, per capita national income was 518 yuan. The gross output value of the mining industry was 8.9 billion yuan and the per capita

output value of the mining industry was 48.7 yuan. The degree of development in this region is quite low, but the resource potential is very great. It should become a mining development region in the next century and, in the future, we should build it into our country's most important energy, nonferrous metal, and chemical industry raw materials base.

## 2. The structure of mining regions.

Due to the imbalance in resource distribution and the lack of coordination in economic development, three types of structure exist in the mining regions: The "stepped structure" which gradually declines from the coast to the hinterland; the "dislocated structure" where the regional economic and industrial development levels are high in the central region and gradually decline towards the eastern and western regions; and an unbalanced "ribbon distribution structure" with a high value belt stretching from the northwest to the southwest.

### I. An analysis of utilization benefits in mining resource development.

The rate of utilizing mining resources is low and there is serious waste. According to mining statistics for the last 2 years, our country's recovery rate in iron extraction is 60 to 69 percent, for nonferrous metals, 50 to 60 percent, for nonmetallic minerals, 20 to 60 percent, and the average figure for coal is 40 percent (in individually run mines it is only 10 to 20 percent). The overall resource utilization rate is 10 to 20 percent lower than in developed countries. The comprehensive utilization rate for minerals is low. Of 1,845 mines, only 2 percent had comprehensive utilization of component minerals of 70 percent or higher. Seventy-five percent of these mines had a comprehensive utilization rate of less than 2.5 percent. The secondary resource utilization rate is low. During the Sixth 5-Year Plan, the actual rate of recovery of waste steel was 20 percent, while the recovery rate for nonferrous metals was only 11 percent. This was 3 to 4 times lower than world levels.

The attrition of mineral resources is high and, although input is great, output is low. From 1953 to 1985 our country's national income grew 9.6 times, and the consumption of energy, iron ore, and nonferrous metals grew, respectively, by 14, 24 and 23 times. According to 1985 figures, for every \$10,000 increase in our country's national income the energy consumption is 20.5 tons of standard coal. This is 2.6 times the figure for the United States, 5.3 times that for Japan, and 10.3 times that for the FRG. The consumption of the nonferrous metals copper, aluminium, lead, and zinc is 691 tons/\$100 million, about twice the figure for developed countries.

Environmental pollution is serious. Every year the economic damage from wastewater, waste gas, and industrial residue totals about 52.5 billion yuan. This includes about 31.5 billion yuan in lost resources, constituting 7.7 percent of national income in 1975, double the figures seen abroad.

### J. An analysis of the major problems in mining development.

In the last 30 years great achievements have been realized in the development of our country's mining industry. However, some serious problems remain, the major ones being: For many years, the mining industry has not been properly placed in position as a strategic industry. Its development has been sluggish, its scale small, and the industrial structure irrational. The shortage of some major mineral materials, raw and processed materials, and energy has led to an imbalance in the overall structure of the national economy. The self-cycle model for heavy industry, which includes the mining industry, and the extensive development strategy, which stresses speed and looks lightly on results and which stresses opening up and looks lightly on protection, has led to the situation whereby there is a low rate of utilization of mineral resources, results are poor, and pollution is serious. In the structural area the mining industry is considered to be under the processing sector. There are departmental and regional divisions and it is basically impossible for the industry to free itself from the conventions and restrictions of the old-model product economy. This has meant that the overall mining industry lacks vigor and vitality. The three above-mentioned factors, which have the industrial structure as their core, the management system as their focus, and resource benefits as results, are deep-rooted and interwoven and have become serious problems affecting the development of our country's mining industry. Since 1978, and especially since the Sixth 5-Year Plan, the state has made very great efforts in systems reform and structural readjustment. However, in the area of mining industry reform and readjustment the progress has not been swift. This has been especially so in the last few years where, because of the stress placed on light industry, the mining industry and other basic industries have seen a great decline in investment. In addition, the imbalance between the mining industry, the raw and processed materials industry, and the processing industry has been intensified. The trade deficit in terms of mineral materials has continually expanded and there has been a growing reliance on the import of major mineral materials and raw and processed materials. The mining industry has become the "bottleneck" or the "short leg" of national economic development.

## III. An Analysis of the Links Between Mining and Related Industries

In the structure of the national economy the industries connected with the mining industry are very wide-ranging. Those industries that have minerals resources as their motive force include virtually all sectors of the national economy. Those that have mineral resources as their direct raw materials and motive force include: electricity, metallurgy involving ferrous and nonferrous metals, chemicals, building materials, foodstuffs, and agricultural industries. Those involving the processing of



raw or semifinished materials include: machine-building, construction, and the light and textile industries. The mining industry is still a major pillar of our country's foreign trade. The industries that support production in the mining industry, apart from energy, machine-building, and light industries, involve mainly the transport and freight industries. Based on data for 1985 and 1986, by summarizing and providing a quantitative analysis of the above-mentioned sectors and quantitative analysis of the material consumption structure for the major mineral products, we can come to the following conclusions:

A. The mining industry is a basic industry in which the "multiplier effect" is quite marked. It supports the development of downstream industries which are several times (2.24 to 4.70) its own size.

B. In the various industries which comprise the mining industry the metallic mining industries exhibit quite a strong "multiplier effect." The energy industry sees a small "multiplier effect" because of the influence of export trade. Construction materials and other nonmetallic minerals are somewhere in the middle.

C. The main external restricting conditions on the development of the mining industry are, apart from funds and technology, energy and transportation. The restriction of the latter is greater than that of the former. Large and medium-size mines throughout the country consume 12 percent of the total energy consumed by overall industry. The total volume of ore freighted accounts for 72 percent of total railway freight volume. Thus, the transport and freight industries are the primary conditions restricting the development of the mining industry.

D. In the mining industry production process the six major areas of material consumption are: major industrial use of electricity, thermal engineering products, raw timber, electrical cable and electrical wires, ordinary and quality steel, automobile parts and wasted materials.

## INDUSTRY

### Industrial Production Faces Difficulties Since July

SK0609011489 Jinan Shandong Provincial Service in Mandarin 2200 GMT 1 Sep 89

[Excerpt] We should summon up our courage to overcome difficulties, and extensively conduct the campaign of increasing production, practicing economy, increasing revenues, and cutting expenditures in an effort to ensure the fulfillment of all industrial and communication production tasks. This was the call issued by the provincial government to the province's working class on 1 September, at the provincial telephone conference on industrial and communications production.

The telephone conference maintained: During the first half of this year, the general situation in the provincial industrial and communications production was good. However, since the beginning of July, owing to the rapid

change in markets, the difficulties and problems facing industrial and communication production have become even more glaring. Major indicators are: First, the sales in markets have turned from being stable to being weak, unsalable goods have increased, the stock of goods has gone up sharply, quite a few productive enterprises have been forced to stop or suspend production, and a landslide has emerged in production and economic efficiency.

Second, the funds in arrear among enterprises have been enormous, and the shortage of floating funds more serious. By the end of July, the total amount of funds in arrear among enterprises reached 4.2 billion yuan, thus seriously affecting the normal production and operation of enterprises.

Third, the readjustment of product mix has proceeded slowly, the demands for the production of some large- and medium-sized enterprises have not been ensured, and the difficulties of enterprises have been extremely obvious.

Fourth, economic efficiency has tended to decline. In the first half of this year, the profits realized by budgetary state-run enterprises registered a 6.8 percent increase over the corresponding period last year; however, by the end of July, the increase rate dropped to 2.58 percent. Meanwhile, the amount of taxes delivered by these enterprises dropped from a 18.36-percent increase to a 14.32 percent increase. By the end of July, the amount of deficits sustained by money-losing enterprises reached 63.9 million yuan, an increase of 76.7 percent over the corresponding period last year.

After analyzing the reasons for these problems, the telephone conference stressed: If we fail to rapidly adopt effective measures to solve such a situation, the consequences will be even more serious. Therefore, close attention should be paid to it.

Vice Governor Li Chunting made a speech at the telephone conference. He pointed out: The only way to solve this problem is to intensely launch the campaign of increasing production, practicing economy, increasing revenues and cutting expenditures. This is the effective way to stabilize the economy, improve economic efficiency, and increase revenues. [passage omitted]

### Easing of Materials Shortage Seen in Months Ahead

OW1209025589 Beijing XINHUA in English  
0101 GMT 12 Sep 89

[Text] Beijing, September 12 (XINHUA)—China's shortage of key materials will ease in months ahead this year making it no longer necessary to import much, according to CHINA DAILY today.



The imports of key materials, such as steel, copper, aluminium and zinc, expanded greatly during the first half of this year. The imports were up by an average of 28.7 percent.

However, a downturn is expected in the coming months, said Deng Jirong, a senior official of the China National Materials and Equipment Information Center.

The upturn in material supply has been a result of not only reduced demand owing to the central government's austerity policy but also the crackdown on illegal profiteering.

Deng said imports of steel for the first six months of the year reached 4.97 million tons, 990,000 tons more than the same period last year.

The country's gross steel requirements for the year would probably be unchanged from last year's 57 million tons.

He said supply and demand of materials have been more relaxed since the second quarter of this year.

The domestic production of major industrial materials and equipment has been on the rise while the demand has, to some degree, cooled.

Most of the increase in steel consumption last year was in township enterprises, which, through more favorable management structures, had had a much easier time getting materials than the big state-owned enterprises. They used 10.18 million tons, an increase of 1.11 million tons from 1987.

But this year their steel consumption has decreased by 3.9 percent.

Still, allocations of steel by the state have dropped from 45 percent of the gross supply to 42 percent now, according to the Ministry of Materials and Equipment.

Deng said that it is time for the ministry to adopt effective measures to regain a grip over key materials and to ensure that the ratio does not decline more in the coming year.

### Shanghai Industrial Output Up for Year

OW0509022189 Beijing XINHUA in English  
0125 GMT 5 Sep 89

[Text] Shanghai, 5 September (XINHUA)—Shanghai, China's major manufacturing center, generated 9.67 billion yuan in industrial output value in August, 5.2 percent more than the same period last year.

Its industrial production in the January to August period was 9.4 percent higher than the same period last year.

In August, the city's textile and metallurgical industries recovered from the decline of June and July. The leading textile products, rolled steel and steel products achieved remarkable increases in the month. Exports increased by 22.6 percent.

However, weak market demand resulted in a drop in the production of color tv sets, refrigerators and washing machines.

Local state-run industries were still developing at a low speed in August due to a shortage of funds, raw materials and energy. From January to August, they managed only a 0.7 percent increase.

## SMALL-SCALE ENTERPRISES

### Township Enterprise Development 'Slows'

#### Growth Rate Versus Efficiency

40060692a Beijing JINGJI RIBAO in Chinese  
25 Jul 89 p 3

[Article by Gan Tongqing 3927 0681 1987 and Zhao Zhongyong 6392 1813 0516: "Correctly Handle the Relationship Between Growth Rate and Efficiency"]

[Text] The problem that the growth rate is inconsistent with the efficiency of township enterprise is fairly prominent throughout the country. Particularly, the phenomenon of contradiction between high growth rate and low efficiency accounts for a considerable percentage. This problem was caused by many factors. The three major ones are as follows:

1. Emphasizing immediate and ignoring long-term interests has caused enterprises to have no staying power in development.

The current situation shows that due to basic reasons such as a lack of competition for product market and raw material resources, restriction on "soft" finances, and the acquisition of cheap, nonskilled labor, township enterprises witnessed a superhigh growth period. During this period, many projects were started and the scale was expanded quickly. However, this momentum of high growth did not last very long. As competition sharpened, macroeconomic control tightened, taxation was enforced strictly, and credit restriction became stricter, the overloaded operation of some township enterprises was restricted, and the development of the majority of township enterprises faced great difficulties and crises. Although most township enterprises survived through tenacious struggle, some went under and bankrupt because they did not have the ability to handle the emergency situation. As a result, the overall efficiency of township enterprises declined markedly. The reason for this is the fact that during the initial development period of township enterprises many units emphasized only on immediate interests and failed to take into consideration long-term interests, causing the abnormal phenomenon that people "rush headlong into mass action" and "kill the goose that lays the golden egg," resulting in violent fluctuations.

2. Emphasizing local and ignoring national interests has resulted in imbalance between micro- and macro-environment.

Since township enterprises are an economic colony grown out of a narrow foundation, they are restricted by many macroeconomic factors. Therefore, township enterprises will not prosper unless their development is in line with the macroenvironment of coordinated development of the national economy as a whole. Excessively fast or slow development of township enterprises could produce serious effects on the national economy as a whole. A major cause for the imbalance between the growth rate and efficiency of township enterprises in recent years is that some departments and townships unduly emphasized local interests and ignored national interests. When they started a project or expanded the scale of a production project, they only considered how much output value and profits they could earn and seldom considered closely related factors such as funds, energy resources, the source of raw materials, and the market of products. As a result, they caused either a shortage of funds and raw materials or the stockpiling of a large amount of products. This shows that if the development of township enterprises fails to give an overall consideration to the national economy as a whole, and blindly seeks excessively fast and high growth rate, it will exceed the limit of the ability of the state, collective, and enterprise, and be unable to coordinate with the development of other sectors in the national economy. The superhigh growth rate supported by such false factors as expansion of investment and consumption when macroeconomy is out of control cannot continue for very long. Once the state strengthens macroeconomic control and management, the superhigh growth rate will change to a superlow or even negative growth rate. Some enterprises may even be forced to stop production or go bankrupt.

3. Emphasizing leading products and ignoring foundation has caused enterprises to lack solid support for their development.

The foundation of township enterprises should be in rural areas. We should say that agriculture is the foundation and support for the development of township enterprises. The main orientation and the greatest advantage in the development of township enterprises is to vigorously develop a coordinated production process of crop growing, aquatic breeding, and processing industries. Township enterprises should take advantage of local resources in crop growing and aquatic breeding to develop the processing industry and enable crop growing, aquatic breeding, and processing industries to promote each other, thus forming a benign cycle of agricultural production. This can guarantee ample supply of raw materials for township enterprises and substantially increase the economic returns of farm and sideline products. Judged from the actual development situations of township enterprises in all localities, most project choices fail to meet this requirement and the farm and sideline product processing industry accounts

for a very small percentage. The phenomenon that the development course of township enterprises is severely divorced from our agricultural foundation has, on the one hand, made it impossible to rationally utilize farm and sideline products and to increase their value through processing, while on the other, has created a serious shortage of raw materials for township enterprises and forced them to look for business everywhere. This has resulted in the phenomenon of "begging with a golden bowl." This is another important cause for the imbalance between the growth rate and efficiency of township enterprises.

The rapid growth of township enterprises shows the vitality of township enterprises. But under the current conditions of China, faster does not necessarily mean better. Once the actual growth rate of township enterprises divorces from their proper growth rate, undesirable and unfavorable results will occur. Therefore, correctly handling the relationship between growth rate and efficiency is the prerequisite for bringing about the continuous development and takeoff of township enterprises. We should enhance the restraining mechanism and ensure that the growth rate of township enterprises is closely combined with potential efficiency. Enhancing the restraining mechanism includes two aspects: One is external restraint. Party committees and government organs at all levels should come forward to organize supervising organs to correspond with the entire production and management process of township enterprises. They should enforce law to prevent departments and units from abusing power and position, from exploiting township enterprises in raw material purchasing and product marketing, and from committing such misconducts as unauthorized levies on township enterprises. The other is internal restraint. It is generally related to such elements as forms of responsibility system, policy-making, management, distribution, and internal supervision. Township enterprises should gradually improve their self-restraining mechanism to fully tap and display their potential for efficiency.

### Enterprises 'Burdened With Taxes'

40060692b Beijing JINGJI RIBAO in Chinese  
25 Jul 89 p 3

[Article: "Township Enterprises Are Burdened With Levies of All Sort"]

[Text] In recent years, some city in Hunan Province has vigorously developed township enterprises around such industries as farm and sideline product processing, mineral product development, construction, and building materials. But along with the development of township enterprises, levies of all sorts have arrived one after another. They come from all directions and are increasing in number. Last year the policy research office of the city party committee and the economic research office of the city government investigated 20 township enterprises in 12 towns and townships and discovered that 51 units solicited from township enterprises and

that there were as many as 91 different kinds of levies. The provincial bureau of township enterprises conducted a detailed investigation and found the following:

*Coal departments.* The city coal mining administration collected from coal mines run by township enterprises 1 percent of their sales income as management fee and 0.2 yuan for 1 ton of coal as mine rescue fee. In addition, it also collected 1 yuan per ton as tunnelling fees to be managed in a unified manner by the city (state regulations are that whoever collects the fee should use it and deposit it in a special account). As for coal shipped outside of the city, four more fees are collected: 1) Seven percent of sales price is collected as transfer fee. 2) Three yuan for 1 ton of raw coal and 6 yuan for 1 ton of coke is collected as development fund. 3) One yuan is collected for 1 ton of coal as coal mine road and site construction fee. 4) For 1 ton of coal, 0.2 yuan is collected as mine rescue fee. In addition to the additional charges levied by the city coal mining administration on coal sold to other areas, the district fuel company also collected 1 percent of sales income as management fee.

*Power departments.* In addition to specific power management fees, there are many different fees such as a wear-and-tear fee for line transfers and transformer management fee for mechanical and electronic equipment. Enterprises reflected that not only there are many levies but there are often duplicates. For instance, the city electric power bureau had a collected power management fee when it settled accounts with enterprises, but the township rural power station wanted to collect 0.5 yuan for every 1,000 kw and 2 yuan for every 1,000 volt-ampere from township enterprises as an annual management fee based on the capacity of their motors and transformers.

*Building materials departments.* The city building materials company took the liberty to stipulate that all cement plants run by township enterprises, including those which have the ability to test their own products, must submit their products to be tested and pay the "service charge." The standard charge for the testing service is 0.1 yuan per ton, a calculation based on the total annual output of a plant.

*Construction departments.* The city construction management station had nothing to do with the organization of township construction teams and personnel training, but nevertheless it collected a management fee that ranged from 0.5 to 3 percent. Last year the district construction department also stipulated that the construction notice will not be handed out until management fee is paid in advance. In fact, construction teams had to pay management fees in advance no matter how the construction situation was or whether or not they could make a profit.

*Environmental protection department.* Fees levied on township enterprises included fees for environmental

protection, waste disposal, above-standard waste disposal, liquid waste monitoring and testing, and noise-level monitoring and testing. According to environmental protection regulations, most of the waste disposal fees collected should be returned to enterprises to be used to control pollution. However the current situation shows that not one penny has been returned to enterprises. The result is that some enterprises continue to release pollutants year after year and that environmental departments continue to collect fees—even after enterprises had stopped operation.

In addition, metrological, communications, supply and marketing departments, and some units and departments, which have not much to do with township enterprises, all tried a hundred and one ways to collect money from township enterprises.

Currently, many township enterprises have felt unable to continue operation under the heavy burden of numerous levies. Some enterprises that really have no way to pay these fees can only put them off as long as they can, paying some and owing some until they reach the point when they can no longer avoid payment. An enterprise official said: "Had we known this earlier, we would not have started this plant."

## FOREIGN TRADE, INVESTMENT

### Reciprocal Sino-Turkish Trade Agreements Detailed

35540110b Istanbul DUNYA in Turkish 19 Jul 89 p 7

[Text] Trade relations between Turkey and the PRC are governed by the free currency-based trade agreement signed in Beijing on 16 July 1974. There is also an "Economic, Industrial, and Technical Cooperation Agreement" which was signed on 9 December 1981 and which went into effect on 25 January 1982.

During the period between 1984—when Turkey's liberalization and export drive began—and 1987, exports to China grew by more than \$100 million, while imports increased by approximately \$170 million.

As of 1987, Turkey sold 35 categories of products to the PRC and imported 359 categories of goods from that country.

The principal products Turkey exports to the PRC are: seedless raisins (\$4.1 million), chromium ore (\$1.3 million), sodium anhydrite (\$10.9 million), sodium bichromate (\$2.9 million), phthalic anhydrite (\$6.7 million), urea (\$5.4 million), diammonium phosphate (\$3.9 million), polypropylene (\$4.8 million), polyethylene (\$9.4 million), kraft paper (\$2.6 million), synthetic yarn (\$10.7 million), pig iron (\$4.4 million), iron and steel billets (\$2.3 million), filmasin [as published] (\$22.9 million), and iron and steel bars and profiles. (\$22.5 million).

The principal products imported from China are: rice, sesame seed, hydrocarbons, cotton, raw cloth, pig hair,

menthol, heterocyclic compounds, sulfamides, pigments, manufactured plastic products, jute sacks for packaging, jacks, ball bearings, light bulbs, watches, assorted machine parts, petroleum products, acyclic alcohols, carbocyclic acid derivatives, and hand tools.

According to the supplementary guiding schedules in the protocol that was signed at the end of the 5th Turkey-PRC Joint Economic and Trade Committee meeting in Beijing on 10 to 12 June 1987, Turkey can export to the PRC iron and steel products, pig iron, fertilizers, synthetic fibers, yarns, chromium ore and other minerals, polyethylene, raisins, scrapped ships, construction materials, durable consumer goods, and automotive products.

### Henan To Improve Zhengzhou Development Zone

HK1308023389 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 12 Aug 89

[Excerpts] On the morning of 11 August, Governor Cheng Weigao, Vice Governor Qin Kechai, and responsible persons of provincial departments concerned did on-the-spot work in Zhengzhou to look into ways of solving the question of how to develop the Zhengzhou economic and technological development zone. [passage omitted]

In an important speech, Cheng Weigao evaluated highly the achievements in building this development zone under very difficult conditions. He pointed out that, since 1983, Henan has arranged 117 Sino-foreign joint ventures and cooperation projects, but only 37 of them have gone into production. We should say that this is far from enough. An important reason for the slow rate of development is that we adopted the method of scattering these joint ventures and cooperation projects by distributing them throughout the province and even locating some of them in rural areas. As a result, neither the hard nor the soft environment suited expansion of the open policy. We should say that this is a lesson we have learned. To organize a number of concentrated economic development zones now is beneficial for improving the investment climate, attracting investment from foreign businessmen, and developing joint ventures and cooperation.

The departments concerned must support the building of the development zones. In the future, all new joint ventures and cooperation projects should, as far as possible, be located in these development zones, in order to facilitate speeding up the building of these zones. From next year on, when arranging the plans for investment in fixed assets, provincial authorities will include Sino-foreign joint ventures and cooperation projects and will give them priority.

In view of the current problems in the Zhengzhou economic and technological development zone, Cheng Weigao called on the provincial departments concerned to set up a coordination commission for the zone to solve in a coordinated way the problems and contradictions in the building of the zone. The provincial departments

must regard the zone as their own affair. If this zone is built well, it will have a great impact on developing the economy of the entire province. However, in carrying out infrastructural construction for the zone, we must ensure creation of an excellent investment climate and also be sure to act according to our ability. We must display the spirit of working hard to build up a business, and first organize productive construction projects.

Vice Governor Qin Kechai also spoke. He proposed ways of solving a number of existing problems.

### Shandong Peninsula Improves Investment Environment

HK0808061589 Beijing ZHONGGUO XINWEN SHE in Chinese 0320 GMT 4 Aug 89

[Text] Jinan, 4 Aug (ZHONGGUO XINWEN SHE)—Following years of construction, a fine investment environment characterized by preferential policies, reliable energy, and convenient transportation has taken shape in the Shandong peninsula economic development zone, which includes Qingdao, Yantai, Weihai, Weifang, Liubo, Rizhao, and 44 counties.

With the new berths built in all six open ports along the coast, including Qingdao, Yaotai, Weihai, Fengshan, Shijiu, and Longkou, a cluster of China's most concentrated ports has taken shape. The completion and start of operation of the deepwater berth in Dabu, Qingdao, and of two 10,000-ton berths have enormously increased the handling capacity of the peninsula.

Four cities in the zone have civil airports where large airliners can land and take off. Moreover, Qingdao and Yantai have opened air routes to Hong Kong, Japan, and other Chinese cities.

The double-track railway running through the peninsula has been opened to traffic. The highway, under construction and near completion, along the coast connecting Weihai, Yantai, Qingdao, and Weifang and existing highways form a highway network in the peninsula linking the coastal ports.

Moreover, the problem of energy has been solved in the peninsula. The large Kengkou Power Plant in Longkou has a total generating capacity of 600,000 kilowatts [kw] and the Huangdao Power Plant in Qingdao is now building two units, each with a generating capacity of 210,000 kw.

Qingdao, Yantai, Liubo, and other cities have installed more than 60,000 dial telephone sets. As a result, communication with other parts of the world has become more convenient.

## LABOR

### 'Counterflow' of Rural Labor Reexamined

40060679 Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 7 Jul 89 p 3

[Article by Li Langen 2698 5695 2704: "Another Look at the 'Counterflow' of the Rural Labor Force"]

[Text] The so-called "counterflow" of the rural labor force is a phenomenon whereby the surplus rural labor force, which had previously left the land to go into secondary or tertiary industry, due to changes occurring in the objective situation, returns to the villages to engage in agriculture. In the past, society has for the most part been optimistic about this trend, believing that it strengthens the backbone of agriculture and is a good portent of agriculture's further development. However, the writer believes that there should be more dialectical understanding of this topic.

#### I. Control and Rectification Demand Control of the Blind Outward Flow of the Rural Labor Force.

China's rural population has grown too large, and there is a limited amount of land for cultivation—this is a national condition known to all. In the past several years, especially since total implementation of the land contract system in the rural areas, much of the surplus rural labor force left the land and the countryside, some to follow small town industry, some hurrying to the more economically developed cities to engage in industry or business. There is no denying that this movement has been beneficial to the economies of cities and small towns. However, in a situation of control and rectification, a large part of the rural labor force continuing to pour into the cities is bound to increase pressures on the urban areas and effect a series of chain reactions, such as those in communications and transportation, public health and family planning, and so forth, thereby affecting control and rectification, as well as affecting agricultural production, disturbing the basic position of agriculture, and creating a loss of control in population management. The national government and relevant departments have adopted some appropriate measures for dispersal and persuasion that will enable them to gain control of the situation. This will undoubtedly benefit both the nation and our people.

This blind flow needs control, and the surplus labor force needs disposition. As for handling the counterflow of surplus rural labor, the correct approach would be facing the reality, focusing on employment counseling and relocation, actively seeking and developing ways of employment. Besides adopting appropriate measures concerning a portion of the blindly flowing personnel, the remainder of the personnel, as much as possible, is returning to the countryside, but not to the land. I believe that if we take the implementation of the land contract responsibility system as the first liberation of the rural productive forces, then the seasonal disposition

of a large part of the rural surplus labor force is undoubtedly the second liberation of these productive forces.

Along with further development of science and technology and the annual decrease in land while population increases, there will be a continual increase in the surplus rural labor force. What is to be done? Pack them all into duty in the fields? That obviously will not do. Practice has demonstrated that when an excess rural labor force is concentrated in land under cultivation, the land debt is too heavy and the production rate of agricultural labor is low, which are the chief reasons for a lack of prosperity among the rural population. Therefore, one can say that rural reform from first to last should in one sense somehow create employment conditions and opportunities for the surplus rural force and thereby resolve the "human sea tactics" of working in the fields.

#### II. Formulate Measures for Strengthening the Guidance of the Surplus Rural Labor Force's Movement Into Planned Channels.

Part of the rural population's leaving the land and going into the cities to work in industry and business is a strategic measure for achieving urbanization of the countryside. Limiting entrance of the rural population to cities through administrative measures alone, without seeking employment outlets in production, in an attempt to alleviate pressures on the urban areas, can possibly be temporarily effective. But in the end, that is not a long-term or permanent solution. In the long-range and developmental view, some developed nations are shifting their surplus agricultural labor force to progressively carry out the process of moving agriculture from extensive to intensive farming, and then proceeding to the next step of urbanizing the countryside. The trend of China's rural development must travel the road of moving from land dispersal to the transfer model. The end result must also be that agriculture advances as does science and technology; in this way, the rural population working the land will be only a portion of the total labor force engaged in agriculture. This should be done while the proportion of time spent on development is decreased, until an optimum combination is attained.

For the above reasons, the writer advocates adoption of the following measures, in order to assure a normal flow of the rural labor force.

#### *Accelerate the Process of Urbanization, Especially In the Smaller Cities.*

As a counter to the massive, surplus rural labor brigade that has expanded nationally, units have relied on the administrative measures of "blocking, checking, and pressure," and it has been difficult to achieve success by these means. Any policy must concentrate on dispersal, and carry it out positively. Taking the long view, and the developmental viewpoint, the basic measure is urbanization of the population, especially in smaller cities, by attracting the surplus labor force on a large scale and thereby accelerating the pace of population shift. The initial step would be to make a national announcement

that groups of cities will be established in older areas that lack the prerequisites for economic development. The principal focus will be on cities that have the potential and enormous economic radiating power, increasing their population reserve, and advancing the shift of surplus labor from the rural areas. In the majority of areas that have not been provided with groups of cities, especially some small cities, make maximum use of their many widespread points of superiority. On one hand, strengthen their self-construction, increasing their ability to attract work force; even more important, use the example and impetus of the small cities as well as their economic radiance, guide the building of cities and towns in the areas, and through their magnetic effect, attract the surplus labor force from the rural areas over a wide area and on a large scale. Take, for example, the city of Hengshui in Hebei: The majority of its vegetable growing has shifted to urban dwellers; this has encouraged and aided the building of a new economic entity and has solved an employment problem. At the same time, a batch of new vegetable growers has extended into the outskirts of the city, causing them to move into the city instead of just serving it. In the countryside, where the enterprises are more economically advanced and more concentrated, build small towns within the municipality, and push development of the small towns' organizational system concurrently with the strengthening, enhancement, and expansion of the present small-town organizational model. Through these methods, starting and implementing the urbanization of the population will place the greatest limitation on the shift of the surplus rural labor force.

***With a Focus on Control and Rectification, Do a Good Job of Shifting the Labor Force Under the New Situation.***

Carrying out the urbanization of the population is the objective of our struggle and the direction of our development. However, it requires a definite economic foundation and external conditions; it is not something that can be accomplished in a day. In the present circumstances of control and rectification, there should be a stress on doing a good job of the following three tasks:

1. Strengthen information services in order to cut down on the blind flow of the rural population. Establish a new order for a socialist commercial economy, in which information will be increasingly demonstrated as powerful and irreplaceable in the development of every business and industry. News of the recent appearance of personnel in large groups moving blindly is not something that peasants associate with being directly relevant to themselves. For this reason, initiative should be taken to amend this, by positively supplying the peasants with various aspects of market information, including the internal service market. Explain clearly to the peasants the current national situation and that of other locations. Let them choose their own vocations, cutting down on the blind flow of the rural population from the bottom up.

2. Bring the rural labor force into planned management channels. What we term "planned management" is an area's labor resources, and labor needs are scientifically forecast for a certain period of time; moreover, according to this forecast, a plan is formulated as rationally and scientifically as possible, and it is unremittingly pushed to fruition. This plan should, at the least, embody three things. First, a guarantee that there will be a sufficient labor force in the fields—this is fundamental to the plan. No matter when agricultural work is done it must have agricultural production at its center, in order to guarantee the basic stability of the rural economy and even that of the entire nation. On this foundation, the next step is to take the surplus rural labor force, including the forecasted surplus rural labor force, from the centralized control of labor departments; then, according to the situation, manage by the compilation of a classified registry, and positively look for and furnish occupational routes. The third step is to strengthen feasibility research on transfer channels. Shifts in the labor force are a complex social problem, on which specialized organizations should carry out specialized research in order to cut down on errors and avoid losses.

3. In the present circumstances there are several transfer channels. One is to rely on developed small town enterprises to attract the rural surplus labor force. Developed small town enterprises should, from start to finish, place the stigma on the organizational structures of a larger scale, higher level, stronger and more superior industries and businesses. There should be stress on supporting the development of promising larger-scale enterprises and developing enterprise groups or colonies that would become leaders by producing high-profile products, so that these will maintain a vitality and a stronger centripetal force that will not decline in the long haul. Another is to utilize the rural areas that already have skilled, nonagricultural personnel returning to the countryside, by involving industrial and commercial departments, and by means of superior policies assist them to establish in the cities flexible social service brigades that have dissimilar models and varied styles. These will become an economic entity, and in the rural areas and their nearby cities and towns compensated social services will open up. The third is to manage the labor market well so that it becomes a market system for cities, counties, and villages.

## POPULATION

### Population Control Seen as Major Experiment

40060668 Beijing XIANDAIHUA [MODERNIZATION] in Chinese No 5, 23 May 89, pp 9-10

[Article by Liu Shuang 0491 3642: "Population Control: A Major Chinese Experiment"]

[Text] The nearly twenty years since the early seventies could be called an historical period when a comprehensively accelerated transmutation occurred in Chinese society. Of the major changes in society, economy and

culture, the historical event of greatest world significance was the transitionally enormous change which appeared in China's population growth, that is, rapidly going from a transitional type of population reproduction with high birth rate and low death rate to a modern type with low birth rate and low death rate. This is a modernized process of interweaving the active and the passive produced under conditions of a clear population control and family planning policy implemented by China. It not only gradually began to break the vicious cycle of population growth which had continued for a long time in China, but also had a positive impact on the world population situation (delaying by about two years at least the time table for the world to reach a population of 5 billion). Thus, people should pay close attention to the operation of China's population and its mechanisms.

Everyone knows that the quality of life and the living standard of the Chinese people has constantly improved due to the growth of society, the economy and medical treatment and public health since the founding of the People's Republic of China, so that there has been a rapid and continued decline in the death rate, which very quickly reached a relative low level (declining from 20 per thousand in 1949 to 7 per thousand in 1970). However, due to the strong influence of complex and sluggish childbirth education and other factors, the birth rate level of the Chinese population has not promptly responded for a very long time, holding at a comparatively high level throughout and leading to a passive situation of intense growth and sharp increase in population numbers. Proceeding from considerations of developing society and the economy (increasing the per capita wealth numerator), the state began to advocate and implement a population policy of family planning and population control (diminishing the per capita wealth denominator) directed at lowering the rate of population growth. After a dozen years of effort, it could be said to have been successful. The overall birth rate of Chinese women has dropped from 5.8 in 1970 to 2.4 in 1986, achieving a fairly low level, only slightly higher than the generations before, greatly slowing the pace of population growth. (According to estimates of the relevant specialists, calculated on the basis of 1970 birth levels, in these 16 years, cumulatively there were 200 million fewer people were born nationwide). This undoubtedly had a multi-faceted impact on the country's socioeconomic life which cannot be underestimated, was also the focus of attention of various countries and is a unique development among developing countries.

In viewing the changes in China's population, in particular the historical process in recent developments, we can see the following major characteristics of China's population and development:

First, the large population base number and the rapid rate of change is manifested as a state of accelerating change by human control.

China's large population and enormous numbers have been one basic characteristic of the population for a long

time. By 1987 the nation's total population was 1.07 billion, and in April of this year it went above 1.1 billion. This reality not only had an impact on China's social development, but also made China's population problem more complex and for some time will be a base point for our thinking about and resolving the population problem. It was on just this foundation, and under the powerful impetus of the family planning policy implemented by the state, that the birth rate of China's population in stepped-up form dropped to a lower level in the short span of a dozen years and primarily for this reason slowed down the rate of the population's natural increase. According to World Bank statistics, China's annual population growth in the 1960's and 1970's was 2.3 percent, in 1970-1982 it dropped to 1.4 percent. This rate was not only lower than the average level of the developing countries during the same period, but also was slightly slower than the rate of population growth of the developed countries. The decline in the population birth rate took China only a dozen years while it took many developed countries over a hundred years to complete the intermediate process of population change. From this perspective, as a country with such population conditions, China has achieved an unprecedented miracle, fundamentally changing the traditional pattern of population operation and greatly cushioning the shock of excessive population size. However, it is also because of the population expressed as a state of accelerated change under human control that China encountered or will encounter some special socioeconomic and population consequences. For example, the sharp contraction of the lower part of the age pyramid of the seventies and eighties of this century and the relatively stable population policy in force will lead to the challenge of the inexorably approaching rapid aging of China's population in the next century. In 1987 only 5.5 percent of China's population was over 65; by 2000 the proportion of China's elderly population will rise to about 7 percent. However, the first half of the next century will be the main period of the rapid aging of China's population, for in this period the proportion of China's elderly population at its peak may exceed 20 percent, and these delayed consequences which are already a foregone conclusion will pose a severe test of China's ability to assume the social risks and her vitality for social growth, and at the same time may exert a great influence on all aspects of society. In addition, there are consequences that may result from being the only child and population decline due to unnatural causes [nitaotai 6627 3221 3077]. From this it is clear that while China's population control policies have enjoyed enormous success in effectively restraining population growth and promoting social development, there will also be a big price to pay. This price will touch more than one generation because of the enormous inertia of the population system. This means that China's population policymaking and responses must constantly make appropriate revisions among the difficult choices, weighing the advantages and disadvantages and considering short-term interests and long-term results. Avoiding short-term behavior, ensuring refined



targets, and paying attention to society's ability to sustain them will become the most important topics for population policymakers and researchers in the future.

Next, above we mentioned that the historical transformation which took place in the course of China's population was created and grew under the powerful impetus of population (family planning) policy, but this does not mean that family planning policy was the only decisive factor which led to China's population change. In fact, China's socioeconomic development in the earlier period had already created definite objective conditions and intrinsic motive forces for realizing a preliminary change in population and this can be verified from practice: the population growth of China's regions is different, but the more the developed the region, frequently the faster, more thorough, and more solid the population change and the easier family planning was accepted and practiced by the masses. For example, in 1968 the overall birth rate for women of Chinese cities, towns and xian of different levels of economic development was 1.69, 2.23, and 2.72 respectively. The urban birth level was much lower than the replacement level of population reproduction; but that of the rural areas was just the opposite, the birth level was much higher. In addition, the urban one-child rate was over 72 percent, but the one child-rate in the rural areas, which was the result of a great deal of hard work, was only about 47 percent. Thus from this angle we have grounds for saying that the change in China's population, especially the rapid decline of the population's birth rate, was produced and developed on the basis of socio-economic progress and by the promotion and acceleration of family planning policy. This not only includes the maturation of the economy, the comprehensive improvement in population education and educational level, and the development of medicine and public health, but also includes changes in the economic structure, and changes in some of people's ideas about birth, all of which directly or indirectly had an impact on the population's birth behavior to one degree or another, and on this basis can we reflect on reality for a moment. In the early 1980's China's population growth reached an historical valley, and in the last five years (1982-1987) the natural population growth rate was 1.24 each year, the lowest rate of population growth since the founding of the People's Republic of China. However, after 1985, China's population growth rate began to rise again. The definitely very important factor here is that the population that had been born during China's peak birth years of the 1960's reached marriageable age which led to us facing a new birth peak. The number of women of childbearing age increased from 233 million in 1979 to 278 million in 1986, therefore with an inelastic women's birth level, the population increase due to births will be an affirmed trend. However, in addition to this, in the past two years early marriage and childbirth have increased, marriage and childbearing age have generally become earlier and second births outside the plan, especially the increase in multiple births, are factors that cannot be overlooked. According to statistics, of the

elements in the natural population growth rate increasing again in 1986, the additional birth population caused by the population birth peak made up only about 35 percent of the additional birth population; the additional birth population brought about by early marriage and early childbirth also made up the same proportion and the remaining 30 percent of additional births was caused by second and or multiple childbirths. Thus it is not enough to explain the increase again in China's population growth rate in the past two years just by inertia. Could we consider it against the larger socioeconomic background and its operating mechanisms. We could say that due to reform, there have been great changes in the operating mechanism and operational method of China's socioeconomic operating system in the last two years, so that the control system of the population policy created under the system of the past is clearly ineffective and there has been a lax situation in population control work. How further to improve the population regulation and control system in this area and strengthen the results of family planning are new tasks facing population policymakers and researchers. However, another aspect we should pay attention to is that in some areas (especially the rural areas) and among some of the population, the returning tide of early marriage, early childbirth and multiple childbirths reflects the fact that China still has not truly and completely realized the intrinsic change in population growth, the relative level of socioeconomic development is low, and we still cannot create ample and reliable conditions for population reproduction to truly reach a modernized level, nor have we been able completely to change the total population's idea of the value of birth. Thus, once we have the appropriate conditions we can form a new attack on population growth, and further change in population operation still has a long way to go. Thus, placing stress on developing our society and economy, continuing constantly to perfect and improve the quality and standard of living of the people, especially placing emphasis on improving population quality, is still the ultimate way to resolve thoroughly China's population problem and establish a new pattern of population behavior. Yet in this process, making the population system and its subsystems in the larger socioeconomic system better matched and coordinated is a long-range goal and an important task.

Third, China's population practice in the last dozen years has shown that China's population growth is an unbalanced dynamic process of differential development. Between areas and between cities and rural areas there have been great differences in trends in population change throughout. The population growth pattern of the three major municipalities directly under central jurisdiction has been close to that of the developed countries while the population growth of the remote provinces and regions has been relatively backward so that there is a great disparity in levels of population reproduction. And the increase again in population growth in the past two years in different areas and to different degrees has



further aggravated this imbalance. Thus better comparing and understanding the present situation and the pluralistic and multilevel characteristics of development trends of China's regional societies and economies and the interrelations with the population, exploring in depth the differential causes and the operating mechanisms, and on this basis adopting relevant and different policies and responses, focusing our attention the whole time on the rural population that makes up the overwhelming majority of the national population, correcting the imbalanced situation, and reducing the regional differences (including differences between urban and rural populations) so as to general a positive impact on the overall situation in China's population growth.

There is no doubt that China's population policy over the last dozen years has made evident achievements, and the rapid increase in population numbers has been effectively controlled and has an enormous positive effect on the country's socioeconomic development. But we must note that currently, China still faces a serious population situation. According to projections, even if the population's birth rate is severely controlled, in the last ten years of this century and the first twenty or thirty years of the next century, China's population will still maintain a tendency to grow and the total population will expand further. The increase in population growth again in the past two years has increased beyond the population target for the end of this century and there is even the possibility of a fairly considerable breakthrough (if the birth level of Chinese women does not decline immediately, by the year 2000 the total population of the country will exceed 1.3 billion). At the same time, we still face a low level in the overall quality of population and a major challenge in the relative or even absolute deterioration of population, natural resources, and the ecological environment. This may make China's population problem a "bottleneck" of national development. The invigoration, reform, relaxation of the economy, transformation of the social structure, and the more rapidly expanding and intensifying development will, from now on, be aggravated by problems that come from a wrong policy on population issues. How to make population policy better and more rationally select a direction of reform, formulate scientific feasible Chinese population development strategy, and reduce the impact of population fluctuations, will be the most urgent task facing us.

**Family Planning Association To Expand Branches**  
*HK0609014889 Beijing CHINA DAILY in English*  
6 Sep 89 p 3

[By staff reporter Zhu Baoxia]

[Text] The China Family Planning Association will be expanding its branches at the grassroots level.

Zhou Boping, vice-president of the association said yesterday that such branches should be in place at all levels throughout the country by the end of next year.

Since it was established in 1980, the association has set up 384,000 branches with 13.4 million members.

Yet, in 10 of the country's 30 provinces and regions, the association still reaches less than 10 percent of the population, Zhou said at the opening of the Second Standing Council meeting in Beijing.

About 9 million more babies were born last year than permitted under family planning guidelines, which shows how hard it is to implement the policy in some rural areas, Zhou said.

He felt a major reason was the lack of grassroots family planning associations.

Where the association is active, the policy is working.

For instance, people in Hezhuang Village of Yinan County in Shandong Province had long lived in poverty due to backward production and over-population. In 1987 village births exceeded the State plan by 47.

Then the association stepped in and after only one year the village reported no births outside the State plan. the annual per capita income of the village had doubled in the same period.

The association also kept the lid on population growth in Jiangin County, Sichuan Province where 8,491 people, permitted by the State to have a second child, voluntarily gave up the opportunity.

About 200 council members are attending the four-day conference to exchange experiences and reward those who have done well in family planning work.

Twenty-one branch units and two individuals from Liaoning and Hunan provinces were cited as models, while some 200 other units and persons were given awards for their contributions.

Representatives from some international organizations including the United Nations Fund for People Activities and the Asian and Oceania Office of the International Planned Parenthood Federation are also taking part.

The China Family Planning Association is a nationwide non-governmental organization composed of senior civil servants, retired workers, medical staffs and representatives of mass organizations such as women's federations and youth leagues.

It was formed to assist the government in family planning by raising public awareness and conducting education programmes.

It also informs the State on how well population guidelines are being received and met.

## TRANSPORTATION

### New Tianjin Harbor To Feature Large Pier Dock

*OW0109100189 Beijing XINHUA in English*  
0800 GMT 1 Sep 89

[Text] Tianjin, 1 September (XINHUA)—Construction of the main body of a large pier dock, a key state project for the 7th Five-Year Plan (1986-1990), has been completed at the new Tianjin harbor.

Being built with a World Bank loan, the dock will have ten berths with a designed loading and unloading capacity of seven million tons, one third of the harbor's present total loading and unloading capacity.

The ten berths include three for container vessels, six for sundry goods and one mineral terminal.

Since the founding of New China in 1949, the harbor has undergone five large expansions and has become one of China's leading ports.

It now possesses 34 berths, including nine 10,000-ton berths, and has a total annual handling capacity of 21 million tons.

### Shandong Harbor To Open to Foreign Ships

*OW0509082189 Beijing XINHUA in English*  
0642 GMT 5 Sep 89

[Text] Beijing, 5 September (XINHUA)—A new harbor in the southern part of Shandong Province has been authorized to open to foreign ships, the Ministry of Communications announced here today.

The Lanshan Harbor, 81 nautical miles from Qingdao, will be the 44th harbor to open to foreign ships in China.

The new harbor has four berths, with accommodation for 500 dwt, 1,000 dwt, 5,000 dwt and 20,000 dwt ships, respectively.

The harbor is able to handle 700,000 tons of cargo annually.

### Shenyang-Dalian Highway Nears Completion

*OW0709185589 Beijing XINHUA in English*  
0649 GMT 7 Sep 89

[Text] Beijing, September 7 (XINHUA)—The whole of the Shenyang-Dalian express highway, China's longest, is scheduled to be completed next year, according to today's GUANGMING DAILY.

The highway will extend 375 km and link the five industrial cities of Shenyang, Liaoyang, Anshan, Yingkou and Dalian. It will be an important transportation artery serving the Liaodong Peninsula, as well as Liaoning, Heilongjiang and Jilin Provinces, and the eastern part of the Inner Mongolia Autonomous Region.

Now, 131 km of the road—from Shenyang to north of Baonan—have been completed and opened to traffic. The highway is 26 m wide with a four-meter-wide tree-lined center strip. The speed allowed is up to 120 kph.

The highway will cost a total of 2.2 billion yuan (about 595 million U.S. dollars). The Liaoning provincial government and transportation bureau raised 80 percent of the total capital themselves, which enabled the construction of the highway to begin in June 1984.

The highway is designed to carry 50,000 vehicles a day, with transport capacity of 80 million tons of freight and 130 million passengers a year. It will take only four hours to drive from Shenyang to Dalian instead of the previous 11 to 12 hours.

## PUBLICATIONS

### New Edition of Classic Dictionary Published

*OW1309075289 Beijing XINHUA in English*  
0613 GMT 13 Sep 89

[Text] Shanghai, September 13 (XINHUA)—A new edition of the CI HAI (OCEAN OF PHRASES), the largest Chinese dictionary originally published 300 years ago, came off the press here today.

Compilation of the new edition started in 1984 and some 18,000 new entries have been included. The new words cover the fields of esthetics, ethics, the science of law, sociology and new branches of science.

It also includes terms reflecting cultural, economic and scientific achievements in China during the 1980s and brief accounts of well-known Chinese party and government leaders, non-communist figures and scientists who died before 1988.

An inscription, written by Jiang Zemin, general secretary of the Central Committee of the Chinese Communist Party, praised the conscientious attitude in compiling the dictionary and called for raising the "cultural quality of the Chinese nation."

Zhu Rongji, mayor of Shanghai, and leading Chinese scholars also submitted inscriptions for the new edition.

### Collection of Chinese Laws Published

*OW0709014889 Beijing XINHUA in English*  
1411 GMT 6 Sep 89

[Text] Beijing, September 6 (XINHUA)—A ceremony was held here this afternoon to mark the publication of the Collection of Chinese Laws.

Published by the Jilin People's Press, the collection includes 1,224 laws and regulations which have been promulgated since 1949 by the Standing Committee of

the National People's Congress, China's highest legislative body, the State Council, the country's highest governing body, and other relevant departments.

## POPULATION

### Management of Agricultural Procurement Funds Discussed

40060670 Beijing JINGJI CANKAO in Chinese  
10 Jul 89 p 4

[Article in "Explore and Discuss" column by Wan Shuiting 5502 3055 1656: "Thoughts On Improving the Management of Agricultural and Sideline Product Procurement Funds"]

[Text] The shortage of agricultural and sideline product procurement funds has been a major concern in recent years. In 1988, "IOU's" issued for government purchases and cross checks issued by banks even when there is no cash reserve have appeared in many localities. They damage the banks' credibility, disrupt the rural economic order, and undermine the political stability. They dampen the people's enthusiasm and adversely affect the strategy of maintaining stable long-term agricultural development.

### The Issue of Agricultural Bank's Responsibility in the Supply of Agricultural Procurement Funds

Prior to 1984, agricultural and sideline product procurement funds were primarily gathered and disbursed centrally by People's Bank, which in turn delegated the lending tasks to Agricultural Bank. The allocation of procurement loan funds at the higher level and the lending out of money at the lower level were the responsibilities of People's Bank. After credit funds were sliced up and parceled out at the end of 1984, agricultural and sideline product procurement loans became a part of Agricultural Bank's business. The bank treats the procurement loan funds like any other loan funds and manages them in accordance with the system of "real loans with real deposits." It is responsible for gathering its own funds and balancing its own accounts. In case of fund shortage and seasonal deficiency, People's Bank will only supply a portion of the funds in the form of short-term loans to help make an adjustment. Other than the basic funds that are parceled out, the increase in the stockpile of agricultural and sideline products and in the number of loans each year since 1985 have ultimately been taken care of by Agricultural Bank alone through its credit plans and funds it raised. This situation in essence makes Agricultural Bank responsible for all the procurement funds. Upon summing up and reviewing this arrangement, I have come to the following conclusions:

From the standpoint of the nature and the characteristics of the agricultural and sideline product procurement funds, they should not be the sole responsibility of Agricultural Bank. Agriculture is the foundation of the nation's economy. This role is reflected in the fact that

grain, cotton, oil, and other agricultural products are the basic products of the national economy. The Agriculture Bank should not be responsible for all the procurement funds because agricultural and sideline products are subject to government policies, because some of the procurements are for reserve purpose, and because procurement loan funds are granted for economic reasons.

From the standpoint of the need to operate Agriculture Bank as an enterprise, it should not shoulder all the responsibilities. Agriculture Bank is a specialized state bank. It is a state financial enterprise, and as an enterprise, it must be efficient internally and seek reasonable profits. In compliance with the preferential policy, Agricultural Bank's procurement loans are low-interest loans—the existing monthly rate (weighted average of parity and negotiated price procurement loans) is 0.84 percent. The cost of the bank's own funds, though, has been rising year after year as deposit rates and the short-term rates between financial institutions are being adjusted. Agricultural Bank's procurement loan funds mainly come from three sources: one, short-term market lending and borrowing—the monthly short-term market rate is around 1 percent; two, Agricultural Bank's new deposits, which consist primarily of savings accounts, and so far the average monthly interest rate on savings is around 0.68 percent and the cost to the bank is around 0.88 percent; three, People's Bank's short-term inter-bank lending and borrowing funds. Because Agricultural Bank is responsible for all the procurement funds and the interests it is paying for the funds is higher than what it is charging to put the money to use, it is poor business and it also has an adverse effect on the normal circulation of its funds. Since agricultural products hit the market at the same time and in large quantities, and because of the many irregularities in settling between the transfer and marketing of products and the transfer-and-marketing loans, twice a year, just before procurements are made, Agricultural Bank must keep a fairly large fund reserve, and as a result, large sums of funds are idled seasonally. Sharp rise and fall in procurement funds make it difficult for the bank to get a handle on its money supply.

From the point of its financial strength, Agricultural Bank is not able to take care of all the funding. Agricultural Bank is a rural, multi-purpose bank. It supplies the credit needs of the rural agricultural, industrial, and commercial sectors, but its fund-supply ability is far below what is needed to meet the demands of the developing rural economy. Agricultural Bank's responsibility for the procurement funds will only exacerbate the shortage of rural funds. In 1987 and 1988, Hubei's Agricultural Bank saw a net increase of 1.151 billion yuan in procurement funds. During the same period, the bank's deposits increased 2.196 billion yuan. Discounting the required reserve deposit, subscriptions to various bonds, and other funds to be handed to the higher authorities, 1.59 billion yuan in deposits was available for use. So, the additional procurement funds

accounted for 72.4 percent of the available funds generated by the additional deposits. If Agricultural Bank has to take care of all the procurement capital, it will become the "Procurement Bank." But to the contrary, in those 2 years, the provincial Agricultural Bank also extended 2.24 billion yuan's worth of other types of loans. Consequently, the bank had to rely on huge sums of inter-bank short-term funds to bridge the gap between credit payment and receipt. By the end of 1988, the bank was short more than 2 billion yuan in funds, and Agricultural Bank is operating under an increasingly heavy burden which just will not go away. If this persists, the bank may not survive.

Meanwhile, because the granting of procurement loans is fairly rigorous, Agricultural Bank's responsibility for the procurement funds also exposes certain defects: One, it gives rise to the phenomenon of "circulation squeezing out production." In particular, in the localities where the staple agricultural crops are produced, procurement loans often get in the way of Agricultural Bank's fund allocation decisions. When the procurement season arrives, everything else is put aside. Often, all funds are diverted in midstream, and indiscriminately, all other production loans are halted, and funding for even the efficient enterprises are cut off because it is the relatively easy thing to do. Two, there is a new rush to jostle for the credit cooperative's funds. Pressured by procurement needs, Agricultural Bank is forced to control the use of credit cooperative funds again (especially in the primary level firms,) even though the credit cooperatives actually are not obligated to support agricultural and sideline product procurements. Three, the bank's responsibility for the funds leaves room for the government to divert bank funds. It also conceals enterprises' use of procurement funds which do not belong to them.

### The Need To Specify People's Bank's Responsibilities

Procurement funds serve the government's policy; some of the procurements are for reserve purpose, and funds are granted on the basis of the economy, and so People's Bank, which is the bank that issues money and therefore is the bank of banks, should bear the responsibility of raising and supplying procurement funds.

One, in making money and credit decisions, People's Bank must give first consideration to the agricultural and sideline products procurement funds. Its money input decisions must reflect the government's preferential policy towards agriculture. It should make honest use of the basic money. Prior to 1984, procurement loan funds were the responsibility of People's Bank. After 1985, it raised the loan base due to the increase in material stockpile and to match the higher value of agricultural and sideline products due to higher prices. This is the key element to changing Agricultural Bank's fund responsibilities. Additional loans from People's Bank to finance the incremental value portion should only be in the form of input of basic money or long-term refinancing but not short-term lending or, worse yet, daily interest refinancing; otherwise Agricultural Bank will continue to be

responsible for all procurement funds; it will continue to face penalty interests and menacing situations and will find it difficult to make use of its funds properly.

Two, there is a need to adjust the short-term loan policy towards Agricultural Bank. When making the adjustments, we need to face the fact that Agricultural Bank's fund circulation is highly seasonal and that it must spend money before it can earn money. We need to expand the scope of short-term loans to Agricultural Bank, including loans to remedy fund deficiency during the peak procurement period, seasonal fund deficiency, and emergency cash-flow needs. In particular, we must not limit ourselves to the procurement funds. While Agricultural Bank should work hard to raise funds to meet its industrial and agricultural production fund needs, People's Bank should also help out. It can increase Agricultural Bank's share of short-term loans and reverse the reduction in Agricultural Bank's share of refinancing funds. Duration of the short-term loans should be reasonable. Provisional loans for procurement purpose should be considered based on the normal cycles of transfer and marketing of agricultural products and recovery of loan funds as well as on Agricultural Bank's credit recovery situation. In general, daily-interest loans are inappropriate. Agricultural Bank should not be charged a high interest rate for short-term procurement loan funds. In view of the preferential interest rates charged enterprises for procurement loans, People's Bank should also charge Agricultural Bank preferential rates for their short-term procurement loans as an incentive to Agricultural Bank.

Three, there is a need to improve the regulation and control of the fund plans. The circulation of procurement funds is a part of the entire fund circulation process. Procurement fund deficiency or other problems will directly affect other funds. For this reason, to solve the procurement fund shortage problem, People's Bank should adjust and improve the way it regulates and controls its rural fund plans. The ways and means to regulate and control the funds should reflect the state's policy to stabilize rural economic development, reflect the policy which is biased towards agriculture, reflect the principle of spending rural funds in the rural areas, and reflect the need to help Agricultural Bank which has the lowest differential earning among all financial institutions. The reserve-deposit ratio should be lower for Agricultural Bank than for other specialized banks. The policy which requires cooperative credit cooperatives to make a special deposit in the central bank should be abolished, and the funds should be returned in time. At the same time, we need to improve the management plan for Agricultural Bank and change the practice of deficit planning where loans exceed deposits and where more fund are disbursed than gathered. Agricultural Bank should work hard to remedy the fund deficiency which came with the credit plan handed down by People's Bank; if it fails, People's Bank should step in to help, and it should link its currency issuance to its credit plans.

Four, efforts should be made to open up more channels to settle agricultural and sideline product transfer and marketing funds. We need to sort out, mediate, arbitrate, and coordinate transbank settlements to ensure prompt deposit of the transfer and marketing loan funds in the proper bank.

#### Several "Hot Points" in Procurement Fund Management

Correcting the meaning of "specialized households" and "returning to the original unit." Today, a popular method to manage procurement funds is to let specialized households manage and to return management to the original units; accounts in all enterprises and banks must return to their original units. In my opinion, the terms are wrong, and as far as Agricultural Banks is concerned, the method is not workable. There is nothing wrong with setting up special accounts for enterprises and making regular transfers to their accounts. It prevents enterprises from crowding and diverting funds and avoids losses in settlement. But if we do not change the way Agricultural Banks is responsible for all funds, if we do not make adjustments in the funding system, but return the money to People's Bank to be managed under a special account, it just does not make sense. In the fall procurement season, Agricultural Bank needs to concentrate all of its liquid funds and even resort to nonconventional measures, and once the peak season is over, it immediately faces a new agricultural production cycle: in the beginning of the year, there is always a seasonal drop in savings; credit cooperatives withdraw their deposits; there is demand for funds for stocking up agricultural capital goods, demand for agricultural loans, and demand from the rural industrial and commercial sectors which have been deprived of funds during the procurement season. For these reasons, requiring Agricultural Bank to put the procurement funds in People's Bank's account and let the latter set up a special account to manage them is against the rural economic law, against the law of Agricultural Bank's fund movement, and against the law of fund appreciation. Thus, to correct the meaning of "specialized households, returning to the original units" is to reduce their scope—they are valid between banks and enterprises but not between the central bank and Agricultural Bank.

The issue of the grain sector's bank accounts: Today, we have a two-account system which begins in Industrial and Commercial Bank and ends in Agricultural Bank. Practice proves that the two-account system is flawed: First, it adds to the demand for funds. The two-account system breaks up grain procurement, transfer, marketing, and storage which should be one whole operation. Allocation and transfer within the system is supposed to be just the transfer of a stock of commodities. Each county should require only one set of funds; however, the two-account system would require more than one set of funds; it may require two sets. Second, the two-account system increases the number of settlement links and settlement disputes. Third, it makes bank management and supervision more difficult. Enterprises

can take advantage of both accounts to divert procurement funds to fixed asset investments and other improper use and hold up the government's fund allocation. To give play to the bank's supervisions and management functions effectively, we must change the grain sector's two-account system and let Agricultural Bank take over the entire line. Industrial and Commercial Bank can transfer all the loans and funds at the same time, or it can keep the loan balance but transfer the settlement accounts and let Agricultural Bank take care of the receipt and payment of the new deposits and loans as well as the settlements.

The issue of the short-term debts incurred by Agricultural Bank because of the procurement funds: Since 1986, Agricultural Bank has been relying heavily on short-term daily-rate loan funds and has been operating under a heavy burden. The increase in procurement funds may be one factor behind this, but the huge increases in other loan funds may also be a factor. With respect to the short-term daily-rate loan funds which are for procurement loan purpose, People's Bank should consider the increases in loan funds and the value of its stockpile and treat these short-term procurement fund loans as basic loans. This does not require People's Bank to put in more money; it only has to extend the loan term. It should not be difficult. As for the other short-term market loan funds needed to finance other loans, Agricultural Bank should try to deal with them and balance its accounts on its own. People's Bank should make available more short-term loans to reduce the excess amount of short-term lending and borrowing in the market.

The issue of bank transfer and settlement of agricultural and sideline products: Ordinarily, settlement via bank transfers is an advanced settlement method, so why do the peasants in many localities dislike and reject them and even regard them as "quasi-I.O.U.s" in recent years? The problem arises because the banks do not have the money, the cash, to back them up. Issuing cross checks without the backing of ready cash results in the banks' inability to cash the checks; they can only make payment on terms, or stall. Why are cross checks issued when there is no money, no cash, available? It is primarily because the departments and enterprises fail to do their job to gather funds. For this reason, while we continue to publicize the cross checks and generate public acceptance among the peasants, we must uphold two basic principles when issuing cross checks: One, we must have cash to back them up (since cross checks can be used locally to buy goods, some hot-selling commodities can be used as backup, but this must be coordinated with commercial enterprises' collateral loans.) Two, enterprises must fulfill their reasonable share of fund gathering responsibility. If we issue a large number of cross checks recklessly, we may face the following consequences: (1) the banks' inability to pay will damage their credibility; (2) we can cover this period's procurement fund shortage and postpone the fund deficiency problem, but this will affect the fund circulation in the next period; (3)

enterprises will not bother to tap potential, nor can we hide their diversion of funds for their own use.

### Timber Industry in Recession

40060701b Beijing NONGMIN RIBAO in Chinese  
10 Jul 89 p 2

[Article by Wen Xi 5113 1873: "Timber Market Slumps"]

[Text] A comprehensive analysis of data provided by relevant quarters shows that China's timber market has gone into a slump this year. A large amount of timber in the producing areas is stockpiled and awaiting transportation, and in the selling markets the effect of the big economic chill makes the timber unmarketable. The situation permits no optimism.

First, the stockpiling of timber in the producing areas: According to incomplete statistics, in the provinces (autonomous region) of Fujian, Guangxi, Guangdong, Anhui, Zhejiang, Jiangxi, Yunnan, Sichuan, Guizhou, Hunan, and Hubei, 6.47 million cubic meters of timber are overstocked. A large part of this timber is concentrated in forest areas at the sides of highways and the sides of railways and in timber yards, urgently awaiting transportation. The producing areas urgently welcome top-level business talks with the marketing areas.

There are three reasons for timber overstocking in the forest areas: The first reason is that last year's timber reserves were at a maximum in quantity. The second reason is that rising comparative prices made valuable timber unsalable, thus causing overstocking. By the end of last year, the great majority of timber-producing provinces (autonomous regions) had fulfilled or overfulfilled the profits tax plan sent to them by the state, and they deliberately left part of the timber to be sold in the coming year. However, the state cut 10 billion yuan in capital construction investment, reducing the timber supply by 4 million cubic meters, and a slump appeared on the timber market. The third reason is that this year the newly felled timber resources have begun to come down from the mountains, causing the newly felled timber to press on existing timber, with the result that a large quantity of timber is overstocked.

Second, timber is unsalable in the marketing areas. In forest areas, the timber industry is in a slump; in marketing areas, the degree of difficulty in doing business is exacerbated, a state of saturation has appeared, and there is a lot of stored timber. In Jiangsu Province the existing stored timber amounts to 1.1 million cubic meters, a fourth of this year's demand. In Hubei 400,000 cubic meters of stored timber are on the market, basically enough to satisfy market demand in the first half of this year. Because there are more and more expenses of various kinds, the price differences on the market are becoming smaller and smaller, the simple interest is becoming less and less, the degree of difficulty in operating in the marketing areas is growing, and it is hard to do business.

There are three reasons for the unsalability of timber in the marketing areas: First, in July and August of last year there was panic purchasing. To occupy the markets and to display their role as the main channel, timber companies in the marketing areas made more transfers of some of the timber. Many units and collective enterprises, as well as individuals that use timber, fearing a rise in price as a lead in consumption, panic-purchased some timber. The second reason is that a large amount of imported timber is being brought in, and it occupies the domestic market. The third reason is that the state exercises overall control over the markets. With the cutback in capital construction and the reduction in the number of projects, some productive factories have been adversely affected in funds, energy, and raw materials. Not enough factories have gone into operation and the need to purchase timber is not pressing.

According to economic experts, the world's economic recession will continue into 1990. This economic recession will reduce demand for timber and then lower the price of timber. In the near term, a "big rise in temperature" in China's economic construction is impossible. In normal harvest years, 1 or 2 months of slump is normal, but 3 to 4 months of brisk marketing constitute a momentum. This year the stagnation in the timber industry has extended into the middle of April, and it is forecast that the slump will continue.

### National Tobacco Procurement

40060736c Beijing JINGJI RIBAO in Chinese  
4 Sep 89 p 1

[Summary] As of 20 August, national tobacco procurement totaled over 9.8 million dan, an increase of more than 80,000 dan over the same period in 1988.

### Price Index of Free Market

HK0809101389 Beijing CEI Database in English  
8 Sep 89

[Text] Beijing (CEI)—Following is the price index of goods in free market trade in July, 1989, released by CSICSC: (Note: Price of the same period of last year as 100.)

	National	Including:	
		Town	Countryside
General index	117.4	115.0	118.9
A. Price index of consumer goods	116.8	115.0	118.1
1. Grain	157.0	162.4	155.3
2. Edible vegetable oil	149.6	151.2	148.8
3. Vegetables	112.4	112.3	112.5
4. Dried vegetables	125.1	122.2	126.1
5. Meat, poultry, and eggs	116.3	114.3	117.3
6. Aquatic products	116.5	114.7	117.3
7. Fruits	103.8	99.6	108.6

	National	Including:	
		Town	Country-side
8. Dried fruits	136.4	144.8	132.5
9. Daily necessities	131.3	160.5	123.8
10. Firewood	133.9	130.2	135.0
11. Others	114.4	115.0	114.2
B. Price index of agricultural means of production	122.5		122.5
1. Forage	149.7		149.7
2. Farm tools	122.6		122.6
3. Poultry, pigs, sheep and goats	85.5		85.5
4. Large domestic animals	116.1		116.1
5. Bamboo and timber	154.2		154.2

### Anhui Publishes Land Management Regulations

OW2508081289 Hefei ANHUI RIBAO in Chinese  
19 Jul 89 p 2

[Measures of Anhui Province for Enforcing the "Land Management Law"—adopted at the 33d meeting of the Sixth Anhui Provincial People's Congress Standing Committee on 20 December 1987 and revised on the basis of the "Decision on Revising the 'Measures of Anhui Province for Enforcing the Land Management Law'" adopted at the 11th meeting of the Seventh Anhui Provincial People's Congress Standing Committee on 7 July 1989]

#### [Text] Chapter 1. General Principles

**Article 1.** These measures are promulgated in accordance with the provisions of the "Land Management Law of the People's Republic of China" (hereinafter referred to as the "Land Management Law") and in light of Anhui's specific conditions.

**Article 2.** Land that falls within Anhui's administrative division shall be managed in accordance with the "Land Management Law" and these measures without exception.

**Article 3.** The people's government at all levels shall safeguard socialist public ownership of land; implement the policy of deeply cherishing and rationally using land; carry out overall planning; strengthen the management, protection, development, and rational exploitation of land resources; and stop acts of indiscriminate use of cultivated land and abuse of land in general.

The use of land for building purposes in a city, town, or village shall proceed together with the renewal of the city, town, or village; existing building lots and idle land shall be fully utilized.

**Article 4.** Local people's governments and administrative offices at and above the county level shall set up land management offices to exercise unified management of land within the administrative division and to take

charge of the organization and supervision of the enforcement of the "Land Management Law" and these measures. The establishment of land management offices in city districts shall be decided by the city in light of specific conditions.

The township (town) people's government shall be responsible for land management in the township and town while the land administrator appointed by the people's government at the county level shall handle the specific work of management.

Enterprises and institutions engaged in agriculture, forestry, animal husbandry, and fishery with more than 5,000 mu of land shall appoint a special person to handle land management work in their respective units, and this person shall receive guidance from the local land management office in conducting his or her job.

### Chapter 2. Confirmation and Change of Land Ownership and Land Use Rights

**Article 5.** Land owned by collectives must be registered with the people's government at the county level, which shall record the land ownership on the register, issue the ownership certificate, and confirm the ownership and the rights to use the land for building purposes.

**Article 6.** When a change is made, in accordance with the law, to land ownership, to land use rights, or to the approved primary purpose in the use of the land, the change must be registered with the original land registration and certification office to obtain new certificates.

When the sale of houses or other attachments on the land involves a change in land ownership or land use rights, the change shall also be registered with the land registration and certification office to obtain new certificates.

**Article 7.** In any of the following circumstances, the peasant collective shall take back the land from the land user for disposal if the land is owned by the peasant collective; the land management office shall take back the land use rights from the land user and revoke the land use certificate with the approval of the people's government at and above the county if the land is owned by the state:

1. Land contracted by a person who has changed his or her occupation from agriculture to nonagriculture in a city or town;
2. Vacated building lot;
3. Failure to use the land for 2 consecutive years without prior approval from the original approving office;
4. Failure to use the land for the specified purpose;
5. Land-using unit that has been dissolved or moved elsewhere;
6. Land of abandoned railway lines, highways, airports, mines, irrigation facilities, or water and electricity engineering projects.

**Chapter 3. The Use and Protection of Land**

**Article 8.** The use of land for various construction purposes shall be strictly controlled within the limit specified in the annual plan for land use drawn up by the state.

**Article 9.** The land management office of the local people's government at and above county level shall set up a system to compile and report land statistics and a system for managing land registration matters. Collectives that own land and units that use state-owned land shall file reports on the statistics and use of land with the land management office of the local people's government in accordance with the regulations.

**Article 10.** The people's government at all levels shall draw up an overall plan for the use of land and submit it to the higher people's government for approval.

**Article 11.** The use of cultivated land for the purpose of readjusting the agricultural structure shall be strictly controlled. Planting fruit trees and forests, digging fish ponds, and making other unauthorized use of contracted cultivated land are prohibited.

When it becomes necessary to use cultivated land to plant fruit trees and forests, dig fish ponds, and do other things for the purpose of readjusting the agricultural structure, the villagers committee shall draw up a plan on the restructuring, which shall be submitted to township (town) people's government for verification, to the county land management office and the agricultural department for examination, and to the people's government at and above county level for approval. After these measures take effect, those who make unauthorized use of cultivated land will be ordered to restore the land for cultivation within a specified period and shall compensate the units or individuals for the losses incurred. The amount of compensation shall be equivalent to the value of output produced in the given period by similar land.

**Article 12.** Approval of the people's government at the county level is required for the development of barren hills, land, and beaches for agricultural production, livestock breeding, or fishing, if the area is less than 300 mu; approval of the administrative office or the provincial city people's government is required if the area is over 300 mu and less than 500 mu; and approval of the provincial people's government is required if the area is more than 500 mu.

**Article 13.** Available undeveloped land, barren hills, and land of inferior quality shall be used to build nonagricultural projects in both urban and rural areas; requisition of cultivated and fine-quality land is prohibited. Unless it is truly necessary, requisition of land in areas producing famous, special, and fine-quality farm produce is not allowed.

Cremation shall be vigorously promoted. Public cemeteries shall be set up in designated barren hills and unproductive land for people of Hui and other minority

nationalities who have the custom of burying their dead; use of good farmland and land near dikes and dams for burial purposes is prohibited.

**Article 14.** The land management office of the county (city) people's government shall collect idle land fees on land lying idle for 1 year and more after approval is given to use the land for construction purposes. The idle land fee shall be equivalent to the land's current output value. The villagers committee or township (town) people's government shall collect idle land fees at an amount of 2 to 3 times that of the value of output produced by the land, where land contracted from the collective for cultivation has lain idle for 1 year and more.

Specific regulations governing the collection and use of idle land fees shall be stipulated by city or county people's government.

**Article 15.** Barren hills and undeveloped land shall be fully used in building new brick and tile factories; use of cultivated land shall be strictly controlled. Where it is truly necessary to use cultivated land, practical measures shall be adopted to enable the restoration of cultivation and other types of agricultural production in the future.

**Article 16.** If land caves in as a result of underground mining, the land-using unit shall pay a land-leveling fee and output-reduction subsidies to the units or individuals sustaining the loss. The amount of land-leveling fee and output-reduction subsidies will be decided in light of the degree of damage to the land and the value of reduced output. The units or individuals shall be reasonably compensated for damage to the attachments on the land. The mining unit may requisition the land if agricultural production cannot be restored after the cave-in. Where there is need for the village to move elsewhere, the mining unit shall initiate the necessary formalities 1 year in advance.

**Chapter 4. Land Used by the State for Construction**

**Article 17.** To meet its construction needs, the state may use the land it owns or may requisition land owned by the collectives in accordance with the law. Units that own the land and individuals who operate the land under contract shall subordinate to the needs of the state and shall not pose obstacles to the requisition. Procedures for land requisition for state construction purposes:

1. Application for land requisition. A land-user unit shall present the construction project's design plan or the capital construction plan already approved by the planning departments to the land management department under the government of the city or county (city) where the requisitioned land is located to apply for the requisition of the land. A land user who intends to use a piece of land for a special purpose other than capital construction shall apply for its requisition by presenting the relevant documents approved by the department in charge above county level.



When the land within the planned development area of a city or town is to be requisitioned, approval by the land planning and management departments of the city or town concerned shall first be sought and obtained.

To requisition land involving rivers, river banks, or shores, forests, lakes, large or medium-sized water conservancy projects, highways, railways, or other important facilities, approval by the respective departments in charge must be obtained.

2. Determination of the area of the land to be requisitioned and the plan for compensation and resettlement. After land requisition is approved, the land-user unit shall present the land use plan, the environment impact report (chart), and other relevant documents to the land management departments for the latter to examine and determine the actual area of the land to be requisitioned and the compensation and resettlement plan. Under the auspices of the land management department of the local people's government, the land-user unit and the land requisitioned unit shall meet to sign a formal agreement on the land requisition and compensation fees shall be paid at the meeting.

3. Take the necessary steps to pay (exempt) tax on the cultivated land requisitioned and reduce, or exempt, agricultural tax for the requisitioned land.

4. Land transfer. After an application for land requisition has been approved, the land management department of the city or county (city) people's government concerned shall, depending on the schedule of the projected construction, transfer the requisitioned land all at once or in several stages to the land user unit and issue it a land use certificate. The land management department concerned shall also see to it that the units whose land is being requisitioned transfer the land in time.

All land requisitions for construction projects for which compensation fees are to be used on a contract basis shall be handled under the unified control of the land management department of the government of the city or county (city) where the requisitioned land is located.

**Article 18.** The limits of authority to examine and approve land requisitions:

1. Where the area of the requisitioned land exceeds 1,000 mu of cultivated land or 2,000 mu of land of other categories, the application shall be examined by the provincial people's government concerned and approved by the State Council.

2. Where the area of the requisitioned land is more than 10 mu and less than 1,000 mu of cultivated land, or more than 20 mu and less than 2,000 mu of land of other categories, the application shall be examined by the commissioner's office of the prefecture or the government of the provincial city concerned and then approved by the provincial people's government.

3. Where the area of the requisitioned land is above 3 mu and below 10 mu of cultivated land or above 10 mu and

below 20 mu of other lands, the application shall be examined by the concerned people's government at the county level and referred by it to the respective commissioner's office of the prefecture or the people's government of the provincial city for approval. Such land requisitions shall also be reported to the provincial land management department for the record.

4. Where the area of the requisitioned land is less than 3 mu of cultivated land or less than 10 mu of other lands, the application shall be examined by the land management department of the people's government at the county level and referred to the county (city) people's government for approval. Such land requisitions shall also be reported to the upper level land management department for the record.

5. When a tract of land in a subsidized area is requisitioned, where the area of the requisitioned land is below 200 mu, the application shall be approved by the commissioner's office of the prefecture or the people's government of the provincial city concerned and reported to the provincial land management department for the record. Where the area of the requisitioned land exceeds 200 mu, the application shall be approved by the provincial people's government concerned.

**Article 19.** When land requisition is required for a construction project, all the land needed for the project shall be applied for at once in accordance with the overall design, instead of requisitioned piece by piece. In the case of those projects whose construction is to be carried out by stages, the land needed shall be requisitioned also by stages accordingly, and no prior requisition is permitted.

People's governments of the districts under a provincial city shall have no authority to examine or approve the requisition (transfer) of land within the area designated for urban construction purposes.

**Article 20.** Land compensation fees:

1. Compensation for the cultivated land and vegetable land requisitioned shall be equal to between 5 and 6 times the annual average output value for the last 3 years prior to the requisition.

2. Compensation for the fish pond, lotus root pond, reed swamp, water chestnut pond, shrubland, grassland, forest land, and herbal medicine land requisitioned shall be equal to 5 times their annual output value for the last 3 years prior to the requisition.

3. Compensation for the orchards, tea plantations, or mulberry groves shall be equal to 6 times their annual output value for the last 3 years prior to the requisition. Where no harvest has been reaped from these lands, their compensation shall be equal to 5 times the annual output value of the local paddy rice or dry cropland for the last 3 years prior to the requisition, plus the expenses to grow saplings.

4. Compensation for newly reclaimed land which has been under cultivation for less than 3 years shall be equal to 2 to 3 times its annual output value for the year the requisition occurs. Compensation for such land, which has been under cultivation for more than 3 years, shall be equal to that for cultivated land.

No compensation shall be given for the saplings transplanted or the structures erected on the land after negotiations about its requisition have already started.

The people's government of a city or county (city) shall lay down specific regulations regarding whether nonagricultural construction or afforestation may be permitted over the land which has been designated a mining area for the coal reserve below.

#### **Article 21. Subsidies for resettlement:**

The per capita subsidies for the resettlement of the agricultural population involved in the requisition of cultivated plots, orchards, herbal medicine fields, and forest tracts shall equal 3 times the annual per mu output value of those localities for the last 3 years prior to their requisition.

The per capita subsidies for the resettlement of people involved in the requisition of fish ponds and grazing land shall equal 2.5 times their annual average per mu output value for the last 3 years prior to the requisition.

The per capita subsidies for the resettlement of people involved in the requisition of lotus roots ponds, reed swamps, shrublands, and grass hills shall equal twice their annual average of per mu output value for the last 3 years prior to the requisition.

**Article 22.** Where the payment of land compensation fees and resettlement subsidies made in accordance with the stipulations under these measures is still not adequate to help the agricultural population compelled to be resettled maintain the same living standard they enjoyed prior to the resettlement, additional subsidy of an appropriate amount may be made available after obtaining the approval of the provincial people's government concerned. However, the total sum of land compensation fees and resettlement subsidies shall be no more than 20 times the requisitioned land's annual average of per mu output value for the last 3 years prior to the requisition.

#### **Article 23. Compensation for seedlings and the like:**

1. The rate of compensation for young seedlings shall be paid on the basis of the output value of the crops for the season. For perennial plants, it shall be calculated according to their annual output value. No compensation shall be made where no seedlings have been grown.

2. No compensation shall be given where fish fry have been bred for over 2 years. Where the breeding has been less than 2 years, the compensation shall be calculated at the rate of between 2 and 3 times the expenses for breeding them.

3. As for compensation for timber forests, for mature timber trees, whose trunks measure an average of more than 20 centimeters in diameter, the compensation shall be equal to between 10 and 20 percent of the value of the actual total volume of their timber at the time of requisition.

Compensation for trees whose trunks measure an average of 5 to 20 centimeters shall be 60 to 80 percent of the value of the actual total volume of timber at the time of requisition. Compensation for young trees whose trunks measure an average of less than 5 centimeters and for immature bamboo shall be decided by the respective city or county (city) government.

4. Units that are to use the lands shall bear the cost of transplanting trees planted by citizens on state-owned lands and in their own yards, if these trees can be transplanted. If these trees cannot be transplanted, compensation for the use of the land shall be decided by the respective city or county (city) government.

**Article 24.** Strictly control requisition of vegetable-growing bases. If vegetable bases have to be requisitioned for a special reason, new vegetable-growing bases must be developed, in addition to applying for approval for the requisition. Acreage of new vegetable bases shall be roughly the same as that requisitioned, and funds shall be paid according to relevant regulations for development of new bases.

**Article 25.** Compensation shall not be given to peasants from whom state-owned farmlands are taken back. If young crops are grown on these farmlands, compensation for the young crops shall be paid. For lands used by peasants for more than 10 years, if peasants' livelihood will be directly affected by the taking back of these lands, subsidies shall be offered in accordance with stipulations on subsidies for resettlement.

**Article 26.** Construction units shall pay compensation to units or individuals whose buildings and attachments to these buildings are to be torn down or removed from lands that are to be requisitioned (appropriated) for government construction use. Compensation shall be decided by the respective city or county (city) government.

**Article 27.** Units whose lands are requisitioned are not allowed to ask, under any pretext, for compensation or subsidies in addition to those given in accordance with the "Land Management Law," relevant regulations promulgated by the State Council, and stipulations in these measures.

**Article 28.** Except for those compensation and resettlement subsidies for privately owned attachments and young crops, which are to be given to owners of these properties, other compensation and subsidies for requisitioned lands are to be used, with the guidance of the local township (town) government, by units whose lands are requisitioned. These funds are to be used for developing production, creating employment opportunities

for the surplus work force, and subsidizing those who do not have the ability to work. No units and individuals are allowed to divert these funds to any other purpose.

Peasants of units whose lands are requisitioned, who have a specialized skill, and who are willing to work on their own, may apply for a certain amount of financial assistance from compensation for land requisitioned and resettlement subsidies. Their applications must be examined and approved by the local township (town) government.

Land management, finance, audit, and other departments concerned of local governments at various levels shall ensure the proper use of compensation for requisitioned land, resettlement subsidies, and funds for developing new vegetable-growing bases.

**Article 29.** Surplus workers resulting from requisition of lands for government construction purposes shall be properly resettled according to relevant state regulations. When hiring workers with the approval of the state, units using requisitioned land may give priority to hiring peasants with appropriate qualifications who worked on that requisitioned land. When doing so, these units should transfer resettlement subsidies for hired peasants to units who take up surplus workers. Targets for hiring peasants from requisitioned land shall be set by each city or county (city), and should be submitted annually to the provincial labor bureau for approval. Regulations and conditions for hiring these peasants are to be separately worked out by the provincial labor bureau.

**Article 30.** Compensation will only be given for the loss of young crops in farmland to be requisitioned for the purpose of erecting telegraph poles and transmission line towers, or laying underground cables or pipes. If a relatively large area of land is needed for this purpose, they may be requisitioned.

**Article 31.** Agricultural taxes for requisitioned land for which taxes are paid shall be reduced according to relevant state regulations.

**Article 32.** Land temporarily needed for flood prevention, rescue purposes, military action, and other emergency reasons may be used prior to requisition. However, the case shall be reported to the local city or county (city) government. Requisition formalities are to be completed if these lands are to be used for a long time.

**Article 33.** State-owned agricultural, forestry, animal husbandry, and fishery units, when requisitioning lands for nonagricultural purposes, shall submit reports and applications in accordance with these measures.

#### **Chapter 5. Lands for Construction by Townships (Towns) and Villages**

**Article 34.** Construction projects undertaken by townships (towns) and villages must be carried out according to plan. Unplanned projects or planned projects which have not been approved shall not be carried out on cultivated land.

**Article 35.** Those who meet one of the following conditions may apply to the local village (group) for land for building a new house:

1. Residential houses of those living in new residential villages (residential points) built under unified planning need to be rearranged.

2. Those whose old residential houses have a foundation area smaller than minimum standard area and those who have one child or more children who have reached marriageable age and need to live in a separate house.

3. Retired state workers, military cadres, and office staff and workers, who have approval to settle down in their hometown but do not have a house to live in.

**Article 36.** Standards of areas for house foundations.

1. The area of each house in suburban and rural areas, market towns, and country fairs must not exceed 160 square meters.

2. The area of each house in the Huaibei Plain must not exceed 220 square meters.

3. The area of each house built in mountainous or hilly areas, barren hills, and wastelands must not exceed 300 square meters. If houses are built on cultivated land in these areas, they must not exceed 160 square meters.

4. Area standards for foundations of houses and regulations on the use of land in cities and towns are to be decided by the provincial government according to the principle of economizing in the use of land.

In building dwelling houses, village residents should do their best to make use of places where their old houses are situated, of idle land in the village, and of other land not used for agricultural production. Each household can have only one house. Those who rent or sell their houses to others will not be given housing sites again.

**Article 37.** In applying for land for construction use, township (town) enterprises must attach to their applications construction documents approved by a local government at or above the county level, and should apply for approval in accordance with Article 19 of these measures. If construction projects are to be built within urban planning areas, applications must be accompanied by opinions of the local urban planning department.

**Article 38.** Public facilities and social welfare projects of townships (towns) and villages which are to be built on collective-owned land shall be submitted to local township government for examination. Applications must also be submitted to the land management department of the local county government, and approval sought from a local government at or above county level. Authority to approve this kind of application shall be in accordance with Article 19 of these measures.

Taxes for using cultivated land should be paid according to relevant laws, if approval is given for the construction

of township (town) or village projects on collective-owned farmland. If such projects are to be built on land liable to agricultural taxes, these taxes shall be reduced appropriately.

**Article 39.** If enterprises, public facilities, or social welfare projects run by township (town), village, or villagers groups are to be built on lands collectively owned by peasants, production work and livelihood of peasants involved should be appropriately arranged. Compensations for these peasants shall be given in accordance with the following stipulations:

1. If enterprises are to be built on cultivated land or vegetable-growing land, compensation shall be 4 to 5 times the average annual output value of these lands in the previous 3 years.

2. If public facilities and social welfare projects are to be built on cultivated or vegetable-growing land, compensation shall be 2 to 3 times the average annual output value of these lands in the previous 3 years. If these facilities and projects are to be built on other land, compensation shall be twice the average annual output value in the previous 3 years.

3. If enterprises, public facilities, or social welfare projects run by village or villagers groups are to be built on their own collective land, compensation for the loss of young crops shall be given to contractors of the land. In addition, an appropriate amount of compensation should be paid to contractors for other investments in the land.

**Article 40.** If any special household, individual trader or craftsman, or economic association in rural areas needs land to engage in nonagricultural production, they should apply for the land through the land management department while showing the documents of approval by the county (city) departments in charge. The land management department shall examine and approve or refuse their application according to its authority. How the land is compensated for shall be prescribed by the county (city) people's government.

The users shall not transfer the land to others without government authorization. If they stop using the land, they should restore it to its arable condition and return it to its original owners within a prescribed time.

**Article 41.** If any peasant wants to open a workshop or store in town and needs land to put up buildings for the undertaking, the township (town) people's government shall select the sites in consideration of the overall plan of the township (town), and request the land in a unified manner. The request shall be approved or refused by a county or higher people's government. Compensation for use of the land may be appropriately set lower in light of the compensation for land designated for state construction projects. The length of time and the compensation for using the land shall be set by a county-level people's government.

## Chapter 6. Reward and Punishment

**Article 42.** Organizations and individuals meeting the following conditions shall be commended and rewarded by a county or higher people's government:

1. Organizations or individuals that have made remarkable achievements in land management;

2. Organizations or individuals that have made remarkable contributions to rational planning of land, economical use of land, protection of cropland, or development of land resources; and

3. Organizations or individuals that have made remarkable achievements in scientific research of land or in popularizing land technology.

**Article 43.** If one of the parties concerned fails to implement the agreement on land requisition and use or the decision made by the land management department and causes economic losses to the other party or parties in the course of the requisition and use of land, the party causing the losses should compensate for those losses. If the violation is serious, those who are to blame shall be subject to administrative disciplinary actions taken by their organizations or higher level organizations.

**Article 44.** Whoever destroys near-ripening farm crops without proper authorization shall be required to compensate for the loss and, at the same time, pay a fine of no more than 200 percent of the value of the destroyed crops. If the loss is heavy, those who are to blame shall be subject to administrative disciplinary actions taken by their organizations or higher level organizations.

**Article 45.** The fines prescribed in articles 43, 44, 47, 49, 50, and 51 of the "Land Management Law" shall be implemented in accordance with the following standards:

1. Whoever illegally obtains land without the authorities' approval or by cheating the authorities of an approval shall be required to return the illegally obtained land, must dismantle, within a prescribed time, or lose, any buildings and other facilities newly erected on the land, and be fined 500 to 3,000 yuan;

2. Whoever buys or sells land or transfers land illegally in other ways shall have the illegal income confiscated by the government, and must, within a prescribed time, dismantle or lose any buildings and other facilities newly erected on the land. Both parties in the transaction shall be fined an amount ranging from 20 to 50 percent of the amount of the deal. Harsher punishment shall be imposed if the case is serious;

3. Whoever illegally uses, diverts to other purposes, or takes the compensation funds or subsidies intended for the organizations from which the land is requisitioned, shall be required to return the money, and may also be required to pay a fine ranging from 20 to 50 percent of the illegally used or taken funds;

4. Those who refuse to return the land after their right to use it expires or is revoked according to law, shall be required to return the land and pay a fine ranging from 200 yuan to 500 yuan; and

5. Those who seriously damage cultivated land or cause desertification, salinization, or loss of soil and water while excavating earth or sand, engaging in mining, or reclaiming land near the cultivated land, shall be required to restore the cultivated land to its original condition within a prescribed time, and may also be required to pay a fine ranging from 100 yuan to 300 yuan per mu of the land damaged.

The fines shall be collected by the land management department and turned in to the financial department in accordance with regulations.

**Article 46.** The administrative disciplinary actions stipulated in these measures shall be decided by the land management department of a county-level or higher people's government. The penalties imposed on rural residents for building houses on illegally obtained land may be decided by a township-level people's government. If the person concerned is not satisfied with the penalty, he may bring a suit with the local people's court within 15 days of receiving the penalty notice. If he neither brings the suit within the prescribed time nor accepts the penalty, the organ making the penalty decision may request the local people's court to enforce the penalty.

**Article 47.** If compensation and subsidies have been paid in accordance with these measures, the organization (household) from which the land is requisitioned should turn over the land by the promised time, with buildings and other facilities on it dismantled. Otherwise, it shall be compelled to do so.

**Article 48.** If any land management personnel bend the law for the benefit of relatives or friends, embezzle public funds, or take bribes in the course of requisition and allocation of land, changing land ownership or right to use of land, or settling disputes over land ownership, they shall be subject to administrative disciplinary action meted out by their organizations or higher level organizations. If they commit crimes, they shall be punished according to law.

#### Chapter 7. Supplemental Article

**Article 49.** These Measures went into effect on 1 March 1988, superseding "Procedures of Anhui Province for Requisitioning Land for State Construction Projects" and "Procedures of Anhui Province for Management of Land for Village and Town Housing Construction" approved by the 15th session of the fifth provincial people's congress Standing Committee on 27 September 1982. If any procedures and provisions concerning land management promulgated by the provincial people's government earlier conflict with these measures, these measures shall apply. The provincial land management bureau is responsible for the interpretation of specific questions concerning the application of these measures.

#### Vegetable Supplies Increase in Beijing

OW0509071689 Beijing XINHUA in English  
0551 GMT 5 Sep 89

[Text] Beijing, September 5 (XINHUA)—More than 485 million kg of vegetables went on sale in the Chinese capital in the first six months of this year, 23 percent more than in the same period of last year.

As a result, today's BEIJING DAILY reported, Beijing residents now each have a daily average of 550 g of vegetables.

The paper owed the increasing supply of vegetables to policies pursued by the municipal government to stabilize vegetable production bases around Beijing, develop more such bases and import more vegetables from other parts of the country.

Some 23,800 ha of land have been developed for vegetable production in the suburbs of the Chinese capital, and commercial departments have opened regular channels outside the city for vegetable supply, the paper said.

By 1990, the paper said, the municipal government plans to establish 7,333 ha of bases to grow vegetables all the year round to strive for an ample supply of vegetables in the off seasons and avoid waste in the peak periods.

#### Guangdong Summer Grain Output

40060736a Beijing NONGMIN RIBAO in Chinese  
2 Aug 89 p 1

[Summary] Gross output of summer grain in Guangdong Province totaled 16.7 billion jin.

#### Jiangxi Late Rice Area

40060726d Beijing JINGJI RIBAO in Chinese  
26 Aug 89 p 2

[Summary] As of 8 August, the area sown to late rice in Jiangxi Province was 22,090,000 mu, an increase of 1,050,000 mu over 1988.

#### Supply, Marketing Cooperatives Focus of Shaanxi Conference

HK2408091889 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 23 Aug 89

[Text] A provincial conference on supply and marketing work, which closed yesterday, suggested that the restructuring of supply and marketing cooperatives be carried out further, and measures be taken to bring into full play the roles of supply and marketing cooperatives as the main channel of commodity circulation in rural areas, and as the economic intermediary between the state and the peasants.

It has been reported that, so far, more than 80 percent of peasant households in this province have joined supply and marketing cooperatives, and the value of shares exceeds 70 million yuan. Recently, more than 500 specialized cooperatives, with supply and marketing cooperatives

as their backing, and with specialized and key households engaging in commodities production as their basic members, have emerged in this province. These cooperatives are playing a positive role in serving the peasants and supporting the rural commodity economy. But their service range and functions still cannot meet the needs of the ever-expanding scale of commodity exchange.

To cope with existing problems, Vice Governor Wang Shuangxi emphasized at yesterday's meeting: "In the second half of this year, supply and marketing cooperatives at all levels must make new breakthroughs in their reform and business operation. They should render high-quality service to the peasants in terms of promotion of products, supply of goods, market information, and productive techniques. It is necessary to develop cooperatives according to economic zoning and give support to economic combines. As for those products that are mass-produced in a few large production bases and are sold to markets far away, we may establish some transregional specialized associated bodies to help pool the resources of different trades."

In conclusion, Wang Shuangxi said: "Now that we are in the busy season for procurement of agricultural and sideline products, supply and marketing cooperatives at all levels must strengthen management of the cotton market, and make sure that this year's cotton procurement quota will be fulfilled. As for the procurement of other agricultural and sideline products that are subject to the export quota control, and that are in short supply, it is necessary to strengthen coordination and improve management, so as to avoid contention for a supply of goods."

### **Shaanxi Records More People, Less Farmland**

*HK1008110789 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 9 Aug 89*

[Text] A survey shows that this province's population has more than doubled and its per capita farmland area has decreased by more than half during the 40 years since liberation.

From 1949 to 1988, this province's population increased by 138 percent, with a total population of 31.4 million at present. During the period from 1980 to 1988 in particular, a net increase of 3.09 million in the population was recorded, in other words, the population increased by 386,000 people each year. While the population was growing, the per capita farmland area dropped sharply. The province had 68,319,000 mu of farmland in 1953, but total farmland area fell to 53,266,000 mu. During the period from 1980 to 1988 in particular, the province's total farmland area decreased by 496,000 mu each year. So the province's per capita farmland area decreased from 4.99 mu in 1949 to 1.69 mu now. That means, as far as the per capita farmland area is concerned, Shaanxi province now ranks last among the four other north-western provinces (regions). What is more, the province's farmland area is likely to continue to reduce while the population is still growing.

### **Yunnan Increases Investment in Agriculture**

*HK1608103889 Kunming Yunnan Provincial Service  
in Mandarin 1200 GMT 15 Aug 89*

[Excerpt] This year our province has carried out a special policy on investment in agriculture.

In the first half of the year, the province's expenditure for agriculture increased by 39.5 percent, compared with the same period last year, while the growth rate of total expenditure during the period increased by 23.2 percent; the results of the use of funds were also better than former years. To ensure that the province's grain production will take a new step forward, the funds for agriculture allocated by financial departments at different levels amounted to 964 million yuan, 228 million yuan more than the same period of the previous year. This basically met the needs of funds for agricultural production. [passage omitted]

### Deterioration Seen in Public Order Situation

40050468 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 231, 1 Apr 89 pp 56-58

[Article by Cheng Ying 2110 1305: "Grim Public Order Situation"]

[Text] At the national public security, procuratorial, and judicial work conference held in Beijing earlier this year and presided over personally by Zhao Ziyang, the worsening public order situation in the past few years reported by heads of public security, procuratorial, and judicial departments from various parts of the country not only struck a sympathetic chord among the conferees but shocked the CPC's top leadership. Zhao Ziyang pointed out at the meeting that the grim public order situation in China today is a general reflection of the social contradictions, and that the growth of serious crime along with the development of the commodity economy is an unavoidable problem.

On 27 January, 10 days after the public security, procuratorial, and judicial work conference, the Political Bureau of the CPC Central Committee held a special meeting to discuss specifically the nationwide public security problem. At the Political Bureau meeting, the party Central Committee issued an alarm to leadership at all levels, calling on top leaders in all places to personally take charge and muster forces to strengthen public security first of all in big cities, main lines of communication, and opened areas. The meeting stressed the policy of heavy punishment and strict enforcement. It can be said that this is another signal for harsh measures since the 1983 campaign to "severely punish criminal elements who seriously endanger public security." To Chinese society, already shaken by rising prices and inflation, the worsening public order situation is like adding one disaster after another.

The public security problems discussed here refer only to criminal offenses involving the safety of people's lives and property and causing great harm to the public, and do not include the hundreds of thousands of cases of corruption, bribery, and other economic crimes exposed in the movement to improve the economic environment and rectify the economic order. Crime is rapidly growing, particularly theft, robbery, drug trafficking, murder, bombing, and other vicious criminal offenses.

According to a circular issued by China's Ministry of Public Security to organizations at the prefectural and county levels, the number of criminal cases in the country increased to 827,000 in 1988, up 45.1 percent from 1987, and nearly one-fourth of the cases were major and serious offenses, a 65.7-percent rise over 1987. The methods used by many criminals were highly sophisticated.

Not long ago, Vice Minister of Public Security Yu Lei [0205 7191] disclosed to the press that since 1988 "social order has been stable on the whole," but the situation on

the public security front remains grim. Particularly worrisome is public order in big cities and along railway and shipping lines.

Take Guangdong, for example. Since opening to the outside world, Guangdong has become a national economic hot spot as well as a "paradise" for criminals. According to incomplete statistics, in the first 5 weeks of this year 5,000 arrests were made in Guangdong for criminal offenses of varying degrees of seriousness, involving 310 criminal gangs; nearly 100 felons were executed; and several hundred criminals were sentenced to death with a 2-year reprieve or life imprisonment. Following the provincial party committee's instructions, a movement to strike harshly at criminal activities has begun in all parts of Guangdong. According to a XINHUA report, in Kunming, Guangzhou, Shanghai, and other places, many have been sentenced to death or prison terms for smuggling narcotics out of the country in collaboration with international drug cartels.

The situation is even more serious in Guangzhou City. A spokesman of the Guangzhou Municipal Public Security Bureau disclosed that in the first 2 months of 1988 the number of criminal cases increased by 56 percent and major and serious cases increased by 76 percent over the same period in 1987. This is causing serious uneasiness among the city's residents. Particularly flagrant are the roving criminals who swarm into Guangzhou to commit crimes and then run away. The Guangzhou Municipal CPC Committee has decided to launch a "major crack-down."

Nationally, the public security situation is worst in Guangdong, Sichuan, Hubei, and some northeastern provinces and cities. Since the beginning of this year, the leadership and public security departments in these provinces and cities have all held special meetings and adopted measures to promptly deal with this serious social problem.

In the past few years, the entire nation has been shaken by the frequent occurrence of vicious major crimes, including airplane hijacking and bombing, the case of two lovers killing themselves with explosives, shootings, train and highway robberies, and so forth. The following is a brief account of a few of the most shocking cases, based on information disclosed by people in the know and from restricted internal publications.

The case of a female driver killing five and injuring 24 people by running a motor vehicle into them in front of Tiananmen Square shocked the whole nation. Several years have past since the incident, but the truth was only revealed in detail by a restricted internal publication in June 1988.

The female driver is Yao Jinyun [1202 6930 7189], 24, who worked at the Beijing Municipal Taxi Co. She was used to "eating out of the same big pot." When she failed to meet her work quota and had her bonus withheld, she became dissatisfied with the quota-contract system and held a grudge against the leadership. On 10 January

1982, after a quarrel with the leadership, she suddenly had an evil thought: to hurt people and cause trouble with a car. She chose Tiananmen Square as the place to vent her anger. So, when no one was watching, she sneaked into a light gray Huasha sedan, stepped on the gas, left the parking lot, and headed straight to Tiananmen Square. When she noticed a traffic police car chasing behind, she dashed the car at a speed of 70 kilometers per hour into the crowd of sightseers near the monument... The car left a trail of flesh and blood amid screams. Finally with a big "bang," the car broke through the balustrade of the Jinshui Bridge and rolled over on the road. In a moment of weakness, an ordinary state worker caused a serious car accident, killing five and injuring 24 people.

An explosion on top of the Great Wall at Badaling a few months ago was a rare case of a vicious suicide pact, which also took the life of a foreign tourist and became an inglorious record for tourism in the year of the dragon.

After an extremely difficult investigation, the public security department found out the whole truth of the case.

The young couple who caused the explosion were from Jilin in northeastern China. The man was Guan Yunfang [7070 7189 5364], and the woman was Zhang Guoying [1728 0948 5391]. Both were married, but they fell in love. On 16 November 1988, they left their families and came to Beijing. From what was left after the explosion, including an 18-word letter, it was evident that this was a fully prepared suicide for "love." They came to the Great Wall at Badaling with dynamite they had made on their own tied to their waists, probably wishing to see the famous historic spot before they died. According to an eyewitness, they held each other closely in their arms and pulled the fuse. There was a big "bang," and flesh and blood flew in all directions near the beacon tower. The couple's four legs and one arm were scattered around. It was horrible. The beacon tower was cracked by the blast.

At a spot 2 meters from the explosion, Corinna, a tourist from New Zealand, was taking pictures with her sister. This was their first trip to Beijing. Corinna, a computer specialist, was to be married soon. As she walked a few steps away from her sister, the explosion knocked her to the ground, causing serious brain damage. Despite all efforts to save her at the Beijing Municipal Hospital, she never regained consciousness and died many days later.

Another explosion case with serious consequences occurred at the Lanzhou Airport. Little about this case has been reported to the outside world. Judging by information obtained by the writer, the Chinese Communists are purposely giving the case a low-key treatment to avoid casting another shadow on the unpopular Civil Aviation Administration of China [CAAC].

The Lanzhou Zhongchuan Airport is one of China's key airports. Scores of airplanes land and take off here each day. On the afternoon of 3 July 1987, a strong explosive

suddenly went off in a car parked beside the control building, leaving two shattered male bodies on the scene. The explosion occurred just as passengers were boarding a scheduled flight between Lanzhou and Guangzhou, and the airport had to be closed for several hours. It was found out afterward that the criminal was a young man, who tried to take the explosive aboard the plane either to hijack it or to blow it up. Because it was difficult to pass through the security checkpoint with the explosive on his body, he hijacked a taxi, forced his way onto the tarmac, and attempted to blow up the airplane there. But owing to the driver's resistance, the criminal had to set off the explosive in a hurry. Had the criminal succeeded according to his original plan, a serious air disaster would have been unavoidable. The identity of the criminal remains an unsolved mystery.

A trend of the vicious cases is the increasing use of guns. Two months ago, two athletes in Fuzhou went on a shooting rampage, and at a Beijing modern art exhibit a female painter shot up the pictures on display. The cases drew a lot of attention at home and abroad.

Shang Weidong [0794 5898 2639] and Li Zhizhong [2621 1807 1813], track and field athletes in Fujian Province, had broken the law before. They had been detained for engaging in a gang fight, and had been disciplined by their team. On 29 January this year, they demanded repayment of a loan from Wu Ping [0702 1627], a student who studied in Japan on his own, without success. At 1700 on the same day, Shang and Li, carrying an illegally possessed small-caliber pistol, went to the guest rooms in the Wenquan Building, where Wu Ping and others were staying, to get even. Shang Weidong shot Wu Ping in the head, killing him on the spot. Shang then fired one shot each at another man and a woman who were also present, and Li Zhizhong stabbed them fiercely with a knife. Both were killed on the spot, too. Shang and Li ransacked the room for money and valuables, totaling 4,500 yuan renminbi. At this time, Wu's three friends came to visit. They were also shot by Shang and Li, killing two and wounding two [as printed], making a total of five killed and two wounded. On the early morning of 30 January, in a manhunt by the Fuzhou Public Security Bureau, Shang Weidong was shot to death, and Li Zhizhong was wounded and captured. The cold-blooded murder was the first in many years.

Not long ago, a female artist in Beijing opened fire on oil paintings. She was taken into custody, but the truth of the case is still kept under wraps. According to insiders, at a modern art exhibit in Beijing in early February, a female artist opened fire on her own paintings, and was immediately subdued by security personnel on the spot. Who is the female artist? She is the daughter of the president of the Zhejiang Provincial College of Art. It is conjectured that her motive in shooting up the paintings had something to do with the behind-the-scenes maneuvering in the preparations for the exhibit.



Firearms are strictly controlled in China. Those who can use a gun to commit a crime are probably no ordinary people. Since the beginning of the 1980's, there have been several cases of people shot to death by military and public security personnel. For example, two public security personnel in a certain place in northeastern China committed murder and robbery (both were later shot to death in Jiangxi); a fighter detonated a hand grenade in an act of revenge at a military camp in Xian; and a prisoner in Xinjiang seized a gun, escaped, and committed murders. All these cases caused a furor when wanted circulars were issued nationwide. But it is hard to understand how could it be so easy for the culprits in the two previously mentioned cases to obtain guns.

Cases of mobs looting state property and supplies, which are a matter of serious concern for the communications and security departments, have increased in the past few years. Not only ordinary commodities transported by the state on railways, but even military installations and supplies are being robbed by the criminals.

Not long ago, the JIEFANGJUN BAO reported some shocking facts and called on the government to strike hard at the criminals who rob and destroy national defense installations and materials. It is reported that national defense materials are being stolen and destroyed in "all parts of the country," and that stealing has seriously affected national defense and preparedness against war. In the 3 years between October 1985 and October 1988, the open wire, high-frequency, night flight, and other installations at an airfield on the East China Sea were burglarized repeatedly. In 1988 alone, 383 runway lights and 2,600 meters of electric cable were stolen. According to statistics of the Gansu Provincial Military District, in three counties within the district, 30 percent of the civil air defense installations were destroyed by men (mainly by stealing), and in one county the damage rate was 95 percent.

Looting by mobs in some areas along rail lines is an even more common sight. Since last year, robberies have occurred repeatedly in the vicinity of Tongguanduo on the outskirts of Chongqing, Sichuan. Swarms of peasants would go to the railway station and cart away commodities from trains like their own, and no one would dare to stop them. Some peasants say: "This is our own sweat and toil to begin with." Robber bands boarded passenger trains on the Chengdu-Baoji Railway and openly forced passengers to hand over their money. Attendants on the trains did not dare to do anything.

In January 1988, at Zhengyang, Henan, the No 703 passenger train was intercepted in broad daylight by three peasant-robbers, and 42 passengers aboard the train were robbed of their money and jewelry. Among the passengers were 10 cadres, but they dared not do anything to stop the robbers. Some of them even flattered the robbers and lighted cigarettes for them. The robbery lasted 1 whole hour. Similar robberies also occurred in Guangdong and Fujian. Buses were stopped and robbed frequently on some county roads. According

to a report by a Guangdong legal publication, a bus was intercepted by two robbers, and more than 30 passengers aboard, including cadres and public security personnel, could do no better than timidly hand over their money and valuables to save their own skins. Many people in Hong Kong and Macao are now afraid to go to China to visit relatives or do business because of the lack of security in their native places.

In Tianjin Municipality, major and minor theft cases have increased rapidly and criminals have become arrogant. The municipal government is forced to make up its mind to launch in 3 or 4 months a citywide "mass movement" against stealing and the buying and selling of stolen goods. It is obvious how bad the public security situation has become.

Some people hold that the above-mentioned robbing and stealing outbreaks are not unrelated to people's mental attitude toward society. Now, quite some people have taken advantage of the economic reform to make a fortune by illegal means, and they are causing a lot of resentment. The desire to get rich is feeding the abnormal psychology of the bad elements and making them more willing to take risks. The greatly increased circulation of people, money, and goods, together with the economic reform and opening to the outside world, also give incentives for criminals to break the law. In addition, the collapse of the household registration system and the incompetence of public security personnel have provided a convenient social environment for crime.

At present, there are only 78 public security and police academies and schools in China, equivalent to secondary vocational schools. Very few of their graduates each year are assigned to the grassroots level. To cope with the serious nationwide public security situation, the localities have no choice but to recruit additional law enforcement personnel from the general public, who do not have specialized training. And hiring is dominated by favoritism. As a result, the quality of public security personnel is deteriorating, which also contributes to the boldness and brazenness of the criminals. The following are excerpts from notes by two persons from law enforcement departments in Hebei Province about the unusual phenomena in public security work.

In Cangxian County, incidents in which people were beaten up, injured, and maimed by public security personnel occurred repeatedly in 1988.

In Qiuxian County, a former public security bureau chief had the impudence to act as a "peacemaker" in a rape case which had incurred great public indignation.

In Daming County, after cracking a burglary case, a public security man "settled the case in private" with the prime suspect.

In Langfang City, hoodlums were beating people up in the street one day. Several hundred people looked on,

but no one tried to stop the beating. Public security personnel looked the other way and left the scene.

Two public security men were escorting a prisoner to some place. Impressed by the prisoner's blandishments, they removed his handcuffs and allowed him to make a business contact. The prisoner escaped.

There is a common saying in some places: "Township leaders walk in front, and men in uniform follow behind." It means that many public security men have become the private bodyguards of township heads and secretaries, backing them up in disputes or mass work. It has greatly hurt the local leaders' image.

Besides, the public security departments are handicapped by insufficient funds and obsolete equipment and can hardly meet the demands of the times. In contrast, criminals in China today are operating with increasing "organization, sophistication, and mechanization." Public security personnel are often overworked and tired out.

Even more worrisome is the fact that there are many scoundrels and criminals among the ranks of public security personnel. Taking advantage of their jobs and connections to engage in criminal activities, they are even more harmful. Yang Mingxuan [2799 2494 6513], a section chief in charge of arrest approval in the Mengcheng County Procuratorate, Anhui Province, always carried a pistol, even to social functions. He often threatened to shoot people. One day, he was drunk and challenged more than 10 passers-by in the street, shooting with abandon at the sky and ground, causing a big disturbance in the small county town. He was detained afterward. But the county party committee secretary was on his side. With the secretary's letter ordering his release, Yang Mingxuan walked out of the detention house with his chin up. When a higher procuratorial organ decided to put him under arrest, he absconded in order to escape punishment.

In the last year, a certain highly placed person in China expressed the opinion that the rapidly growing crime rate in society is an "inevitable phenomenon during a period of change." But, the daily occurrence of crimes is causing hardships to the public and losses to the state and the people's lives and properties. Maybe this is the heavy price to be paid for the reforms. When can these "labor pains" be relieved?

### **Rising Gambling Activity Reflected in 'Mahjong Mania'**

40050674 Hong Kong CHING PAO [THE MIRROR] in Chinese No 145, 10 Aug 89 pp 62-65

[By special correspondent Li Fei 2621 7378: "Mahjong Mania in Mainland China—Also on the Social Evil of Gambling in Present-Day Mainland China"]

[Excerpts] Surveying the entire "Divine Land" [poetic name for China], anyone will find that in present-day

Mainland China no other form of "gambling" is more flourishing, more popular, and more prevalent than mahjong. Wherever you go, you can hear the crackling sound of the mahjong game in progress. Everywhere the spectacle is one of people intently concentrating on the "fierce battle," with shouts declaring construction or completion of a set in mahjong. The "warriors" may be locally powerful party secretaries or senior officials, but also rascals and loafers with disheveled hair and dirty faces. It seems at such times that people have completely forgotten their higher or lower status, but are only devoting all their physical and mental strength to the fight along the "walled square." They have truly achieved a state of "all men are equal before the mahjong game." We may therefore well say that in present-day Mainland China, there is no distinction as to regional derivation, whether from north, south, east, or west; as to personal characteristics, whether male, female, young, or old; or as to professional or occupational standing, whether big, small, high, or low. Wherever people gather there, certainly, a mahjong "battle" will go on.

Because of this situation, a jingle is on everybody's lips in recent years throughout mainland China:

A billion people here you find,  
700 million are of the gambling kind;  
The other 300 million or so  
Are candidates, should up they grow.

That is, of course, saying it too harshly and too sarcastically, and also somewhat exaggeratedly, but in a way, it fully reflects the abnormal situation in today's China of "everybody fingering the mahjong tiles," and it depicts how the mahjong mania has become a serious craze and obsession.

Another jingle, about the "four kinds of being busy," is also a highly compressed sidelight on Chinese social life:

Those in the central government are busy reforming,  
Those in provinces and municipalities are busily departing the country,  
Those in prefectures and counties are busy dining and wining,  
Those in towns and townships are busy gambling.

Just look at it: According to reports from foreign news agencies, mahjong is now extremely widespread in China. Taking Shanghai alone as an example, it is said that there is at least one mahjong set for every two households, and that gives some idea of the number of people who are playing.

According to reports by the public security organs, gambling, and particularly gambling by playing mahjong, is now quite open. It is not only prevalent in the countryside, but quite prevalent in the cities. Participants in gambling activities are from a broad spectrum of people and there are large numbers of them, comprising almost every profession or trade and every kind of person. In the Changning Ward of Shanghai, 172 cases of gambling were prosecuted within two months, and 141 of these, that is, 82 percent, were cases of gambling in mahjong games. During recent years, there were over

10,000 cases of gambling per year. This figure reached 15,607 during 1987, and will be even higher for the last 2 years. Among the participants in these gambling activities, the oldest was 78 years old and the youngest only 12; most of the others were youths and middle-aged persons.

According to reports from informants in various localities, gambling is not only becoming more prevalent in many places, but larger sums are wagered. A substantial number of people frequently win or lose at one session over 10,000 yuan, and in some cases even as much as several tens of thousands. For instance, the Yongjia County People's Court in Wenzhou Municipality, Zhejiang Province, handled last year a particularly large gambling case, in which amounts won or lost amounted to the startling sum of over 1 million yuan; that really leaves one speechless.

It has been further revealed that by now professional gamblers have come on the scene all over China, a kind of gambling thugs, who make their living by gambling, and that many of them have "made it big." There are also many individual entrepreneurs, recent upstarts, and professional gamblers, who, by prior arrangement, assemble at Guangzhou. They travel by plane from northeast, northwest, north, central, and south China, bringing along huge amounts of cash, together with pretty girls, "secretaries," and bodyguards, to "get a shot off and move on to another place." They set up their gambling tables at holiday resorts and high-class guest-houses, playing all through the night till dawn, gambling in a big way, frequently winning or losing several tens of thousands and hundreds of thousands.

Precisely because gambling is now spreading wider and wider on the mainland, and becoming more and more of a craze, many localities are now launching a "special struggle against gambling" in order to stop it. For instance, Jiangsu Province instituted a provincewide prohibition of gambling. Every locality organized "anti-gambling teams" under the responsible guidance of the party and government leadership. Many places also organized "women's antigambling societies" and "councils for the change of prevailing customs and habits," compelling wealthy people and gambling thugs to present themselves at the public security organs and surrender themselves voluntarily. Even in a small place like Huaiyin City, over 3,200 former gamblers went to the public security bureau to register and pledge repentance. This gives an idea of who knows how many more common gamblers there may be!

Precisely because so many people are involved in gambling, some incomplete statistics of Wuhan Municipality in Hubei Province show that gambling money surrendered within only 1 year amounted to 4 million yuan! This, of course, represents only a small part of the gambling activities throughout the municipality. Gambling is either mahjong, poker, Chinese dominoes, or the games of "ya dan shuang," [1090 0830 7175] and "cai fen zi," [3719 0433 1311] but the most popular is

mahjong. The fiercest gamblers and risking the largest amounts are individual entrepreneurs loaded with money and official purchasing agents with large sums in their pockets. As informed by relevant quarters, almost half of all criminal cases in Wuhan are cases involving gambling, and among all divorce cases, one-quarter involve gambling.

People cry out in alarm: Mahjong and gambling have become a big public evil in today's Chinese society!

During the present mahjong mania that has gripped the whole country, people are particularly shocked to see that quite a number of members of the CPC, leading cadres and employees of party and government agencies as well as persons occupying leading positions in enterprises and industrial units have become involved. There is a saying: "The indigo blue comes from the indigo plant, but is bluer than the plant it comes from" [pupils learn from and outdo their teachers], and to add fuel to the fire, there are many who are not even ashamed to lead in this new fad. As a consequence the mahjong mania is getting crazier and crazier.

In some agencies of Yishan County in Guangxi Province there is a large compound that the people call the "mahjong compound," because every evening at sunset there is to be heard in the compound the clicking noise of mahjong games in progress, and the lights in many windows are on throughout the night till dawn. Next morning, coming to work, many people are either listless and in low spirits or are hiding out somewhere in the office in deep slumber, to recover strength for a new "battle" in the evening, and to risk their money in the "fight." Within only a month, the public security organs of the said county picked off over 20 gambling nests in the compound, and among the 113 gamblers that they caught, 89 were cadres from 24 different state agency units, which included executive departments in charge of industry and commerce, and also tax departments; one of them was even a member of the county council.

In the forestry bureau of Xiangcheng County in Henan Province, the leadership was very fond of the "battle of the walled square," so that the bureau finally organized regular mahjong parties, converting recreation into gambling. The said bureau had one bureau chief and three deputies, four persons altogether, but these people alone had three mahjong sets. They set up their mahjong tables at five places, and whenever they felt like it, regardless whether it was office time or not, they went to "battle," sometimes throughout the night, not leaving the table for over 10 hours. Because the leadership of the bureau was so fond of the "walled city" game, they had not held even one party group organizational meeting for 3 years. This evoked criticism from all the other cadres and from the masses. The masses angrily pointed out: "What kind of a party organization is this at the forestry bureau? Isn't it more like a mahjong gambling house!"

In Liuyingxiang Township of Santai County, Sichuan Province, Li Zhixiao [2621 1807 1321] was party secretary. When he had just been promoted to township party secretary in 1983, he started to gamble by playing "long cards" and mahjong. Under his leadership and influence, the gambling habit developed in a great way, and people came to call the place the "gambling township." Two village branch secretaries and one plant director were arrested and fined for gambling, and scores of people among the masses were punished for taking part in gambling, but the gambling custom did not abate. Only after Li Zhixiao's gambling had gone on for 5 years was the affair brought to light. The "gambling party secretary" was removed from office and sent for education through labor, and only then was the spreading gambling habit in Liuyingxiang stopped.

In Ningbo City, Zhejiang Province, there were 12 villages in a certain township, and branch secretaries in seven villages were called "gambling secretaries" by the people; from that one can well imagine what the "folk custom" was in these villages. When a gambling group was once apprehended in Meilin Township of Ninghai County within Ningbo Municipality, it was found that the gamblers were some plant managers of the nearby town and township enterprises and some "highly qualified persons," all of the upper strata of the town. Then there was also the case of the marketing agent of a certain factory who was ordered by the plant manager to take along 500 yuan as his "capital" to play mahjong with a customer with whom negotiations were going on, and to purposely lose the money to the customer. The lost money was then taken into the accounts of the factory as "business expenses." Many people now sadly remark: In the olden days business was settled at banquets, now business is settled at the mahjong table.

A particularly shocking event was the discovery of a mass gambling ring of unprecedented dimensions, recently uncovered by the police of Kunming City in Yunnan Province. Among the gamblers involved there were 21 plant directors, managers, people's congress delegates, members of the CPC, and advanced workers. For a long period of time, they had their gambling nests in offices, assembly halls, restaurants, and dormitories, gambling on a big scale on either mahjong or poker. Some of them won or lost as much as 50,000 or 60,000 yuan. Some even joined in with U.S. dollars, bonds, exchange certificates, gold ornaments, and even blank checks. After the expose of the affair, the Lianhua police station in Kunming arrested 35 persons, among whom were 15 plant directors and managers. Who would have thought that almost as soon as they stepped into the police station that a throng of people would rush in who wanted to put in a good word for them. They came from all directions and from among all strata of the populace, some pleading for reasons of personal considerations, or

offering bribes, some threatening with force. Within 1 day, the station chief received 10-odd telephone calls from very important people who interceded "for friendship's sake," and somewhat over 10 motorcars came to the station, one after the other, as well as more than 20 groups of people, all pleading with the station chief and the police officers "for friendship's sake." As we hear, there were leaders at even higher levels of the administration and "people with much influence and face" who came to plead "for friendship's sake" or who offered bribes. As so many people of high position and reputation came to intercede "for friendship's sake," the officers of the police station were hard pressed for time to attend to all their visitors. Some people therefore sadly remarked: "We are afraid we will have to set up a 'station for the reception of people interceding for friendship's sake'!"

The rampancy and folly of the mahjong mania in Mainland China has even those "flowers of the motherland" who are still naively innocent of the ways of the world drawn into the "battle of the walled square."

Now, even middle school students and primary school pupils are among mahjong players, which is really shocking. Among a class of 40-odd fourth-grade pupils of Shanghai's Yenping Street Primary School, one-third knows how to play mahjong. They have been dragged into the game as "fillers" by three players when they needed a fourth player. In the course of time, these children will become "habitual players," with a mahjong addiction even stronger than that of the grown-ups, and with the result that their achievements at school will take a big dive.

When a second-grade pupil at a primary school in Chengdu was asked during Chinese class to form a word combination with the word "mah," he came up with "mahjong." When the teacher then asked those who have seen mahjong played at home or played it themselves to raise their hands, over half of the class of 50 pupils raised their little hands, to the great surprise of the teacher.

Not only 7- or 8-year-old primary school pupils start to form inseparable attachments to mahjong, even the little ones in kindergarten, still wearing their "split pants," are being inculcated with "mahjong culture."

Precisely because so many small children play mahjong, the fertile minds of factory managers, so "concerned" about the next generation of the motherland, got busy and produced "children's mahjong sets" for the "entertainment" of children, and to "enhance intellectual development." These mahjong sets are smaller than the common sets, but of enticingly colored designs. It is said that when the "children's mahjong sets" appeared on the market, they were snatched up at a surprising rate; they really found a warm welcome!

If the mahjong mania could make all the primary school pupils crazy like this, it goes without saying that it is also the case with many middle school students, whose character is not yet fully formed and who are so full of curiosity. And how about the university students? It is common knowledge that they belong to either the "ma group" (short for mahjong players), or to the "tuo" group for the TOFFEL test which qualifies for study abroad),

or to the "tiao" group (dancing enthusiasts), or to the "yao group" (for happy-go-lucky, devil-may-care group), and among these the "ma" group has the largest following. In the institutions of higher learning in Mainland China, you hear the noise from mahjong instead of recitations of learned texts, and mahjong has even some students cut classes and hide in dormitories to engage in gaming "battles" from day into night!

### Taiwan Expert Calls Invasion Threat Negligible

46200006 Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 31 Jul 89 p 8

[Article by Siegfried Thielbeer, datelined Taipei, July:  
"An Invasion of Taiwan Is Hardly Possible"]

[Text] There is no fear of an attack from the other side. It is clear to everyone that the other side has quite different problems. But what matters is not just the presumable intentions, but also the military potential. Therefore, there must be no letup in the efforts toward defense readiness. These observations were made not by a NATO general about the Soviet Union, but by a high-ranking former officer in Taiwan, who drew the conclusions for the security policy of his country from the latest events in the PRC.

The arrangement called for confidentiality. But this much can be said: The vice admiral, who retired in the meantime, was formerly chief of planning in the Taipei Defense Ministry, in other words, he is a man who knows what he is talking about, and the first high-ranking officer we encountered in Taipei who was not hiding behind secrecy regulations. Occasionally, that can get to the point where comment is refused even on the accuracy of London Institute for Strategic Studies data. The vice admiral, who has excellent security policy information in his present position, distinguished himself with an astounding coolness of judgment and avoided any of the usual clichés of Nationalist Chinese propaganda.

The vice admiral was skeptical about the increasingly frequent warnings by the Taiwanese military of an infiltration of Mainland Chinese, who are said to come to Taiwan in fishing boats. He also said to ignore the arguments frequently heard that the communist People's Republic could someday try a surprise landing on the island with thousands of junks. It is not possible to land on a flat beach with fishing boats with a keel. That is the reason why the Allies of World War II developed the shallow-draft landing ships with which amphibious operations in the Pacific were made possible and the invasion of Normandy was successful. But the Red Chinese Navy lacks sufficient landing craft.

According to the vice admiral, the PRC has only three regiments (brigades, in Western parlance) of marines that are especially suited and equipped for amphibious operations. In addition, there are some reserve divisions. One regiment each is part of the Northern Fleet in Tsingtao opposite Korea, the Eastern Fleet opposite Taiwan, and the Southern Fleet. This distribution of forces is to be regarded as normal and not as a threat. The recently observed shifting of forces shows that the PRC is not moving forces closer to Taiwan, but may even have withdrawn some. Even if the PRC concentrates all of its forces, including civilian ship units, he said that it has the capacity only for the simultaneous landing of 2 divisions—as many analyses and war games have shown. This is not enough to overcome Taiwan's

strong defense—the country has an Army of 12 divisions, some of them mechanized, and 8 "light divisions."

Taiwan's military experts are also unable to discover any reinforcement of the naval components of the Red Chinese armed forces. There has been some modernization but the Navy is being neglected compared with the other military services. Beijing is reducing its gigantic Army. The greatest efforts are being made in the Air Force. A change in this policy, such as the upgrading of the role of the armed forces following the Beijing massacre and a redistribution of resources in favor of the military, is not expected. Beijing's economic development plans are long-term, and Deng Xiaoping, their author, continues to hold the dominant position.

In short, the vice admiral summarizes, it is not possible to invade Taiwan with fishing boats. If other high-ranking military in Taipei maintain the contrary, that constitutes negotiating tactics. In government planning and in parliament, funds for the military are involved. When he was chief of the planning department in the Defense Ministry and coauthor of the joint defense plan with the United States, similar arguments were used, among other things to urge the Americans to provide bigger aid shipments. Of course, intelligence officers and agents must also take the "worst case" into consideration. But he, as a planner, had to estimate what was probable in order to arrive at a reasonable and balanced armed forces structure.

The vice admiral judged Taiwan's naval strength as reasonable. With 24 ocean-going destroyers and about 50 fast attack craft, all of which are armed with modern antiship missiles, any serious invasion attempt by Red China can be warded off. With a range of about 120 km, even from the ports these missiles can control every point in the Formosa Strait which separates Taiwan from the mainland. The admiral said that the radar-controlled antiship missile is produced in Taiwan; he thus forestalled any questions regarding the amazing similarity of this weapon to the Gabriel rocket developed by Israel, which is also stressed in the textbooks on the subject.

The answer to an objection that the small fast attack craft could not be used on rough seas is that in such a situation the landing craft and junks could not be effectively used either. There are also land-based coastal batteries equipped with this antiship missile, and the Air Force has laser-controlled long-range weapons.

In Taiwan itself no attempt is made to cover every possible landing sector with Army units, even though there are many manned bunkers and prepared artillery positions. The purpose of the existing coastal defense is more for warding off smugglers and infiltrators. The divisions, partly mechanized, which are organized into three Army groups, would conduct mobile combat. However, it should be emphasized that strategic depth in defense is absent in such a small island. Nevertheless, the

importance of the reserves—above all for the counterattack—should not be underestimated.

In the defense of Taiwan—and the deterrence of Red China from an invasion—what matters above all is the Air Force. No one can risk an invasion without air superiority. This was demonstrated in the German preparations for a landing in England in 1940. The vice admiral assessed Taiwan's own Air Force, hardware, level of training, and motivation of the pilots as good. The PRC indeed makes considerable efforts to modernize its Air Force—with support from the United States. But the new high-performance fighter developed by Taiwan contributes to the continued assurance of Taiwan's air superiority.

The battle for air supremacy is also covered by Taiwan's strong air defense. In addition to Hawk missiles for low-altitude air defense, Taiwan, like the NATO states, has U.S.-produced Nike-Hercules, which can reach high altitudes. The admiral did not want to say whether the new Nationalist Chinese air defense missiles are equivalent to the U.S. Patriot. But Taiwan has an integrated air defense system developed by Hughes. Hughes delivered a similar system to the PRC, he said with a smile,

adding "Ours is now being modernized." The network of radar and early warning installations is being strengthened. With two large computers, with which up to 300 targets flying on different courses can be tracked, almost the air defense capacity of a U.S. aircraft carrier, which is designed to operate under Soviet air threat, is available. Taiwan, he said, is also interested in procuring early warning aircraft, such as the E-2, the "mini-AWACS" of the U.S. aircraft carriers. But even now, the radar installations located on mountains have a range of 250 miles. Thus, enemy aircraft can be tracked right after take-off.

The computer software was produced by Taiwan, the admiral said. Nevertheless, close cooperation with the U.S. Armed Forces, especially the 7th Fleet in the Pacific, is possible at any time. Taiwan's forces continue to be trained according to the ATP (Allied Tactical Publications), the original U.S. service regulations and definitions, which are valid in NATO and which many other states are also following. Years ago, U.S. officers confirmed to Taiwan's soldiers that cooperation with them is as easy as with the NATO partners, despite the language differences.

## NORTH REGION

**Shanxi Leaders List Tasks for Last Half of 1989**

40050657 Taiyuan SHANXI RIBAO in Chinese  
16 Jul 89 p 1

[By Pei Runshen 5952 3387 3832 and Zhang Jun 1728 6511]

[Text] A meeting of provincial and prefectural leading cadres and mayors from throughout Shanxi was convened 13-15 July in Taiyuan. Governor Wang Senhao [3769 2773 3185] delivered an important address, Deputy Governor Bai Qingsai [4101 3237 2088] discussed views expressed in routine meetings of the provincial government and set forth overall tasks for the province for the last half of 1989, and Deputy Governors Guo Yuhai [6753 5940 2037], Wu Dacai [0702 6671 2088], and Wu Junzhou [0702 0193 3166] spoke on relevant issues.

The meeting held that the people in the province, under the leadership of the provincial party committee and provincial government, had conscientiously implemented the Central Committee policies on improving the economic environment, rectifying the economic order, and intensifying reform, as well as the Central Committee's and State Council's series of policy decisions on curbing disturbances and suppressing the Beijing counterrevolutionary rebellion. As a result, they safeguarded social stability and unity, accomplished in an improved manner various aspects of the economic tasks for the first half of 1989, and promoted the continued stability and growth of the national economy.

In discussing planning tasks, Deputy Governor Bai Qingcai pointed out that, for the last half of 1989, the province must firmly implement the spirit of the 4th Plenary Session of the 13th CPC Central Committee and that governments at all levels and the various departments must work hard to properly grasp the 10 tasks set forth at the plenary session.

1. Do better in upholding reform and opening up to the outside world. We must continue to implement the various reform measures formulated and issued by the Central Committee, the State Council, the provincial party committee, and the provincial government. We must firmly carry out the factory director responsibility system and earnestly strengthen ideological and political work in enterprises.

We must further perfect the contracted management responsibility system in industrial and commercial enterprises and improve methods for linking total wages to economic performance. We must do our best to invigorate large and medium-size state enterprises and conscientiously concentrate on the ancillary reforms of macroeconomic regulation and control. We must pay close attention to fulfilling the foreign contracts concerning Sino-foreign joint ventures, Sino-foreign contractual joint ventures, trade, and scientific and cultural

exchanges that Shanxi Province signed this year at the time of the "two conferences and one program", act strictly according to these contracts, thus improving our reputation for honoring agreements and Shanxi's reputation as a whole.

2. Do a better job of organizing industrial transport work. We must improve basic work in enterprises and, by strengthening enterprise management, develop its potential. Continuing to insist on maintenance and control and concentrating our limited financial, material, and transport resources will ensure the production of energy, raw and processed materials, and everyday consumer goods needed by the people. Through economic and technical cooperation with other provinces and cities, Shanxi should be able to exchange its superior products for the funds and raw and processed materials that it needs. We must do a better job of taking inventory and of making up deficits and increasing surpluses. By extensively mobilizing the masses and using the spirit of the 4th Plenary Session of the 13th CPC Central Committee, we should be able to improve ideological awareness, bring into play the pioneering spirit of arduous struggle, and vigorously enter into the "double increase and double economy" campaign.

3. Continue to pay attention to agriculture, striving for bumper harvests all year long. We must lose no opportunity to improve the work of summer farm management and planting if we are to fight drought and achieve bumper harvests. As for reform in the rural areas, the focus is on continued stability and perfecting the household responsibility system of linking remuneration to output. We cannot waver from this.

4. Continue to reduce the amount of investment in fixed assets. We must strictly control quotas, improve mass supervision, strictly control the startup of new projects, pay closer attention to checking up on construction projects, strengthen audit controls, and enforce discipline.

5. Properly arrange urban and rural markets. We must pay close attention to the work of purchasing farm produce and sideline products and properly understand that the priority here is given to grain, cotton, and oils. We must guarantee that proper arrangements are made for the market supply of products and conscientiously see to it that manufactured goods get to the rural areas.

6. Strictly control credit and strengthen the management and distribution of funds. We must fully absorb idle capital, be careful to recover overdue loans, take advantage of warehouse inventories, clear up unpaid debts, implement the policy of inclining funds, and concentrate on maintaining effective supplies. We must establish and perfect a system of strict responsibility for granting loans and control the excessively rapid growth of consumer funds.

7. Continue to control commodity prices. To strictly control price rises, we must determine where the difficulties lie and concentrate on controlling and stopping



these difficulties. We must continue to streamline the order of circulation and firmly abolish irrational intermediate links. We must establish price adjustment funds, enhance the regulation and control of market prices, and intensify the supervision and examination of prices.

8. We must make a great effort to increase revenues and reduce expenditures. Government at all levels must do everything possible to create income and work hard to augment Shanxi's income by even more. Thus, we must bring into play the pioneering spirit of arduous struggle, draw up tight budgets, and practice austerity.

9. Improve on building basic-level political power. This winter we must assemble county and prefectural basic-level cadres for unified training to strengthen the ideological and organizational work of the various departments that serve the rural areas, as well as the enforcement and supervisory departments.

10. Strengthen the building of clean and honest government. Shanxi Province has already made special preparations in this regard, and government at all levels should firmly do so as well.

During his address, Governor Wang Senhao reemphasized some of the major issues. His first point of emphasis was the steadfast intensification of enterprise reform in the spirit of conscientiously implementing the 4th Plenary Session of the 13th CPC Central Committee. He said that at present a truly small number of comrades, confronted with the new situation, have misgivings about the correctness of reform measures already instituted and verified and especially with regard to the factory director responsibility system effected in enterprises. This type of ill-considered understanding is highly detrimental to our intensifying enterprise reform. The provincial party committee and provincial government hold that the leadership structure in enterprises must have stability, that it cannot change back and forth. Implementation of the factory director responsibility system in the enterprises cannot be altered. This system was determined by the nature and mission of enterprises and represents the summation of experience and lessons learned about enterprise leadership since the founding of the People's Republic. It is a major achievement of the past 10 years of reform. Governor Wang emphatically pointed out that, during the intensification of enterprise reform for the last half of 1989, it is important to continue development and perfection of the contracted management responsibility system. The governor's second point of emphasis was the need to unify thinking and act decisively in continuing to do a good job of improving the economic environment and rectifying the economic order. The key to doing this well is understanding. Governor Wang also reemphasized issues concerning the strengthening of security management, paying more attention to production safety, decisively eliminating corruption, and conscientiously establishing clean and honest government. He especially emphasized the need for leading organs at all levels and leading

cadres to set the example for building clean and honest government by their personal actions, by avoiding empty talk, and by stipulating realistic measures.

### **Merits of Factory Director Responsibility System Emphasized**

#### **Speech by Shanxi Governor**

40050652 Taiyuan SHANXI RIBAO in Chinese  
17 Jul 89 p 1

[Article: "The Enterprise Leadership System Must Be Stable; the Contract Management Responsibility System Must Not Change"]

[Text] On the afternoon of 15 July, at a meeting of assistant directors and mayors, Governor Wang Senhao [3769 2773 3185] stressed that the enterprise leadership system must be stable, the contract management responsibility system must continue to be perfected, and the factory director must, with perfect assurance, get a grip on the overall work situation.

Governor Wang said: "In the 10 years of reform our province has obtained very big results. However, in line with the demands of the 4th Plenary Session, our reform and opening up to the outside world are not sufficient, but are still very insufficient, and should not be pulled back but should continue to advance unswervingly. At present, there are a small number of comrades who, faced with the new situation, have misgivings about the reform measures that we have put into effect and that practice has proved to be correct, particularly the factory director responsibility system in enterprises. The provincial party committee and the provincial government think that the enterprise leadership system must be stable and cannot be continually changing, and that the factory director responsibility system, which has been put into practice in enterprises, must not be changed and also there is no reason to change it. This is because putting the factory director responsibility system into practice was determined by the nature and the tasks of the enterprises. It was a summation of the experiences and lessons of the enterprise leadership system since the founding of the PRC, and was also a major result of the 10 years of reform. Practice proves that the factory director responsibility system is advantageous for fusing ideological and political work and economic work into one organic whole; and is also advantageous for establishing a powerful production command system, changing the past state of affairs in which the reality in collective leadership was that no one was responsible. It is also an important condition for invigorating the enterprise. Also, in order to carry out the factory director responsibility system—this new enterprise leadership system—the CPC Central Committee and the State Council specially issued three regulations. The Enterprise Law, deliberated and passed by the 1st Session of the 7th NPC [National People's Congress], clearly stipulates that the enterprise will implement the factory director (manager) responsibility system. The factory director occupies the

central position in the enterprise, and he bears overall responsibility for the enterprise's building of material civilization and spiritual civilization. What the law stipulates is that this system must be implemented and we have no right to negate it. If the factory director responsibility system is shaken, the enterprise's contract management responsibility system will change, and in that case our enterprises will be disordered. Therefore, we certainly must not change it. All factory directors of enterprises must, in accordance with the regulation on the industrial enterprise factory director responsibility system, get a good grip on their own work with boldness and assurance and take overall responsibility in the enterprise. As for the appearance now in some enterprises of a tendency to ignore party building and to ignore ideological and political work, it is not the result of the implementation of the factory director responsibility system, but rather was caused by Comrade Zhao Ziyang's weakening of party leadership and ignoring of the party's ideological building. In addition, the political quality of some factory directors is poor, the roles of the CPC, trade unions, and the CYL [Communist Youth League] are poorly displayed, and there is no insistence that they get a grip together on the building of the two civilizations. Actually, the quality of some factory directors is fairly high; and there are enterprises in which the factory director responsibility system is being carried out fairly well and in which ideological and political work has not been weakened but, rather, strengthened. Recently I went to the Machine Repair Factory of the Yangquan Mineral Bureau. After this plant put the factory director responsibility system into effect, focusing on arousing the enthusiasm of the staff and workers, and developing the productive forces. Focusing on different objects, it took different measures, and by separate levels initiated ideological and political work. Throughout the factory there was an omnidirectional, multilevel worker-staff ideological and political work network in which the factory director was responsible, the management was in charge, and the CPC, government, trade union, and CYL were intertwined. Education was given to the great number of staff and workers on the professional ideals, professional ethics, professional discipline, and professional skills of socialism, so that ideological and political work became vivid and dramatic. All enterprises in the province must do as well as the Yangquan Mineral Bureau's Machine Repair Factory and the Changzhi Bearing Factory. After the factory director responsibility system was put into effect, the factory director was dutybound to undertake the task of building the two civilizations, taking two burdens on one shoulder, and thereby changing the current situation in which 'one hand is hard and one hand is soft.' Here we must discuss something else. After the factory director responsibility system was put into effect, some factory directors did not pay attention to democracy and did not respect the workers' democratic rights. Often it was a case of 'what one person says counts,' even to the extent of making arbitrary decisions and taking peremptory actions, thereby causing errors in policy decisionmaking. There was a wide gap in the income of some factory directors

and the income of the staff and workers, distribution was not fair, and the masses complained. These problems should be solved while the factory director responsibility system and the contract system are pursued and perfected. We cannot, because of these problems, negate the factory director responsibility system and the contract system. In all places, when contracts are being drawn up and the enterprise's leadership group is being fitted out, the factory director must certainly be selected well, letting the enterprise's strongest person be the factory director. We must enhance the democratic supervision and training of factory directors and constantly improve their political and professional quality.

"In deepening reform in the second half of the year, the main thing is to continue to perfect and develop the contract management responsibility system. Our province's enterprise contracts not only promote stable economic growth, but also promote political and social stability and promote the consolidation and deepening of the results of reform. Therefore, they should be affirmed. Of course, because of a lack of experience and the fact that the measures for macroeconomic regulation and control have not caught up, the contract responsibility system is still insufficiently perfected and there exist various kinds of problems. Some enterprises take responsibility for profits, but not for losses; some enterprises take short-term actions; in some enterprises there is a wide gap between the income of the contractors and that of the staff and workers; and some contracts are not drawn up tightly enough and have fairly many loopholes. The mechanisms for the enterprise to take the initiative in management, to be responsible for its profits and losses, and to exercise self-restraint have not been truly set up. Next year, all the enterprises' contracts become due, and before this happens we must do good work to perfect them. From a look at reports, I see that all prefectures and cities and all departments have already taken measures, and that they are good measures. Recently the provincial government issued 'Some Opinions on Stabilizing and Perfecting the Contract Management Responsibility System and on Enhancing the Enterprises' Restraining Mechanisms,' which provides supplemental rules about some contracts, with the hope that enterprises will thoroughly implement them by integrating them with reality. All places must boldly explore how to perfect the contract system, and in practice sum up experiences well. Here I want to emphasize three points: First, the activity fund for the factory director must be continued. Second, the problem of unfair distribution by enterprises needs to be conscientiously solved; if this problem is not solved, the masses will complain that the situation will be unfavorable for arousing everybody's initiative. The method of solution can be to adjust appropriately the base number or to use part of the excess monies to set up a hazard fund. However, when solving the problem of unfair distribution, we must make a point of not taking the old path of equalitarianism. Third, we must strengthen the enterprise's foundation work in the hope that all prefectures and cities in the second half of the year will get a grip on

the work of enterprise basic management, and, in particular, manage well large and medium-sized enterprises.

"People's governments at all levels and economic management departments at all levels must support and protect reforms. Deepening enterprise reform is the task of governments at all levels and of all departments. In view of the fact that the readjustment and disturbance of reform measures in administration and reorganization cause ideological effects, we must now enhance the work of propaganda and education in order to encourage the reformers. The news media must enhance its propaganda about reform by focusing on reporting the enterprises' advanced experiences in reform, reporting ways of stabilizing and perfecting contracts, and reporting on advanced model figures who have persisted in reform. All the reform measures coming from the CPC Central Committee and the State Council and from the provincial party committee and government must continue to be firmly implemented and continue to be perfected while being implemented. No department may, in the name of administration and reorganization, take back powers from the enterprise. Governments and departments at all levels must continue to change their functions, get deeply involved at the basic level, and help enterprises solve the problems in reform and in production and construction. We must correctly differentiate in reform between errors, on the one hand, and graft, bribe taking, and using the power of office to seek private gain, on the other hand; permit the factory director to make mistakes in reform; help the factory director to sum up experiences and lessons; and protect the legal rights and interests of the enterprise and the factory director."

#### Interview With Factory Director

40050562 Taiyuan SHANXI RIBAO in Chinese  
15 Jul 89 pp 1-2

[Article: "Inevitability in History and Selection in Practice"]

[Text] The 4th Plenary Session of the 13th CPC Central Committee criticized Comrade Zhao Ziyang's error in seriously ignoring ideological and political work, and put forward the tasks of enhancing party building and of enhancing ideological and political work. In their study of the spirit of the 4th Plenary Session, some comrades had doubts and irresolutions about factory director's taking overall responsibility for ideological and political work. For a better implementation of the session's spirit, our reporter interviewed Guo Baolin [6753 0202 2651], director of the Changzhi Bearing Factory, which for 3 years in succession was assessed as an all-province "outstanding enterprise in ideological and political work" and which last year was assessed as a province-level advanced unit and an all-China outstanding unit in machine industry enterprise management.

[SHANXI RIBAO] In the ideas of people, the factory director is responsible for production and management, and the party committee handles ideological and political

work. This seems logical. Why should the factory director also take charge of ideological and political work?

[Guo Baolin] Putting the factory director in charge of ideological and political work was not a decision taken by any one individual, and also was not caused by any one individual's inspiration. It was an inevitability of history. Speaking of the practice in our factory, the new system of ideological and political work now in place went through roughly three stages. The first stage was the "double-track operation" stage, namely, from 1982, when the separation of the work of the party and the government was clearly put forward, until after the factory director responsibility system was put into effect in 1984. In this stage we had the "double-track system" in which the party committee handled ideological and political work and the building of spiritual civilization, while the factory director handled the building of material civilization. In this period the great number of political work cadres vigorously switched tracks in content and method, obtaining marked results and playing a positive promotional role in the development of the enterprise's production and management in the implementation of the factory director responsibility system. However, because the "double-track system" itself possessed the characteristic of a "division of work responsibility," in actual work it unavoidably produced in production and management activities and in ideological and political work the phenomenon of "two layers of skin" and the phenomenon of collisions caused by "attacks coming from many gates." Even though the great number of political work cadres improved their methods and worked hard to make them suitable, these problems remained fundamentally unsolved. The second stage was that in which the new and old systems changed, from the beginning of 1987 until August 1988. In this stage the propaganda department of the party committee was put under the administration of and amalgamated with the factory's education center, thereby establishing a propaganda and education department that integrated the building of the two civilizations. At the same time, corresponding reforms were made in the party committee's administrative organizations, a party committee work department was set up, the discipline inspection commission was retained, the basic-level party branches set up full-time party branch secretaries, and the concurrent post system was put into effect, so that the ideological and political work began to be changed to the system in which the factory director took overall responsibility for this work. The third stage was that in which the new system was established: Beginning in August 1988, the factory director took overall responsibility for the enterprise's ideological and political work. Thus, the ranks of ideological and political workers were readjusted, a new leadership system was put into practice in the enterprises, and prominence was given to the central position and role of the factory director in the enterprise. An omnidirectional, multilevel, multichannel organic ideological and political work network system was initially formed, in which the administration took charge, the

work of the CPC, government, labor union, and CYL was divided, coordination was close, the party and the government were integrated, the full-time and concurrent posts were integrated, and the cadres and the masses were integrated.

[SHANXI RIBAO] The enterprise's party committee handles ideological and political work, and the factory director handles the fulfillment of the enterprise's production tasks, so why has the phenomenon of "two layers of skin" appeared? Will you please specifically discuss the phenomenon and the reason for its appearance?

[Guo Baolin] In 1982, in the stage in which the "double-track system" was in operation, our enterprise lost more than 1.9 million yuan. More than 300 workers were usually on the sick list, and another more than 200 workers wanted a transfer. The factory even had to rely on selling off large trees in its area to pay wages. At that time, I was the deputy factory director in charge of production. According to regulations, there was a deduction of 15 percent in the salary of factory-level leaders. The comrades on the party committee concluded: If the production target is not met, it is natural to penalize the factory directors. We are in charge of building spiritual civilization; on what basis do you penalize us? The leaders of the administrative group contended: We are in charge of production but production depends on people; if your "relations with people" are not handled well and the workers do not perform, what are we to do? Everybody grumbled and made excuses. The "two layers of skin" in the system were bound to cause two layers of skin in work, and when problems arose there was wrangling.

[SHANXI RIBAO] You have discussed, from the angle of the process of forming the new system for ideological and political work in the Changzhi Bearing Factory, the inevitability of the factory director's taking overall responsibility for ideological and political work. Can you discuss, from the perspective of the history of the reform of the economic system, this historical inevitability?

[Guo Baolin] It is a very difficult thing to give a good answer to this question. I can only talk a little bit about my feelings from three aspects based on my own understanding.

First of all, it is an objective demand for scientific management in socialist enterprises. The factory director's taking overall responsibility for an enterprise's ideological and political work embodies the essential characteristic of a socialist enterprise. This is because the public ownership of the means of production in itself determines the source of a socialist enterprise's activities, which must be on a foundation in which the whole body of workers accepts advanced ideology, culture, science, and technology before these activities can be carried out. The reason that we advocate the spirit of the Changzhi Bearing Factory, namely, "aim at markets,

keep our eyes on the interior, exert oneself to do pioneering work, and pursue without letup," is because that is the central task of an enterprise in which there is close integration of party and government leadership. It has become a common consciousness of all staff and workers in the enterprise, who not only consciously establish and cultivate this spirit, but also in practice carry it constantly forward, thereby strengthening the enterprise's cohesiveness and promoting its work in all aspects. Practice proves that if an enterprise's factory director and its administrators and managers at all levels do not emphasize improvement of enterprise quality, do not emphasize arousing enthusiasm of the staff and workers, and do not get deeply involved in ideological and political work, they cannot become effective managers.

Second, it was determined by the inevitable trend toward the modernization of enterprise management. The management of an enterprise is, in essence, the management of people. Looked at from the angle of management science, ideological and political work on staff and workers is the basic element in the management of a modern enterprise. In a modernized enterprise the level of its labor productivity and the quality of its economic returns are decided not only by technology and equipment, but even more by the workers' enthusiasm and the level of their work skills. Therefore, whether an enterprise can tap people's potential to the maximum degree is the key to whether it can prosper and develop. The factory director acts as the representative of the enterprise's *legalis homo*, he is in the central position in the enterprise, and he bears the most direct responsibility for the rise and decline of the enterprise. Can he tap people's potential without going through a process of powerful ideological and political work?

Third, it is a necessity for the achievement of the management and administrative goals of a socialist enterprise. The task of a socialist enterprise's management and administration is to constantly readjust and perfect the enterprise's production relationships, reform the enterprise's management system and administrative methods, and scientifically and with high efficiency organize production and management activities. This task not only demands that the enterprise's factory director exercise effective control, supervision, and coordination over production and management activities, but also do good ideological and political work and smooth out the relationships among people in the enterprise. The purpose of enhancing the administration and management of a socialist enterprise is to get, with the minimum consumption of labor, maximum economic and social benefits. Only if the worker has a strong sense of responsibility as being the master can he, in production and management activities, consciously and rationally use forces, strive to save energy and raw materials, guarantee product quality, and improve the labor productivity rate. In these years the average labor productivity rate of the Changzhi Bearing Factory has risen from 7,800 yuan in 1983 to 10,500 yuan in 1988. The total reject rate has fallen from the original 12.6 percent

to the present 3.7 percent. The steel bearings utilization rate has risen from the original 35 percent to the present 50 percent, becoming the best in the country. All of these successes were closely related to the enhancement of ideological and political work.

[SHANXI RIBAO] Doesn't the factory director's taking responsibility for ideological and political work disperse his energy and thus adversely affect the enterprise's production and management activities?

[Guo Baolin] No, it doesn't. We should get a new, comprehensive understanding of the content of ideological and political work. The enhancement of this work does not entail holding more meetings, reading more reports, and changing more bulletin boards. These things are only a part of ideological and political work, and a very small part at that. In fact, a large number of tasks in an enterprise's ideological and political work are production and management activities. An enterprise deals with money, materials, and people every day. Behind all of this are intricate relationships among people. From each link of raw materials supply, technological improvement, product production, quality checks, and product marketing is formed a chain of human relationships. If one of the links is badly handled, the operation of the entire chain is adversely affected. We think that in an enterprise there is no ideological and political work that is separate from professional work, and that there is also no professional work that does not need ideological and political work. Over the past several years, only 30 percent of the raw materials our factory needs for production has been supplied under the state plan and 70 percent has depended on the market's regulatory role. However, in these years we have never let the shortage of materials adversely affect our production. The scale of our enterprise has risen from 33d place in the same industry in China to the present 10th place. Over the past several years we have created 26 provincial-level excellent products and eight ministry-level excellent products, and this year we will create national-level excellent products.

Obtaining these successes depended on mutual support, mutual trust, mutual understanding, and mutual help between all links. The timely elimination of the friction produced between the links during production and management activities is precisely a task that falls within the scope of the factory director's duties. If this matter is handled well, it will be possible to carry out the enterprise's production and management activities smoothly.

[SHANXI RIBAO] Could you, with a concrete example, talk about the situation in the operation of the new system of ideological and political work in your factory?

[Guo Baolin] As I said before, in our new system the factory director is at the center, and this is determined by his central position in the enterprise. The most prominent characteristic in the operation of this system is its high efficiency. I'll discuss a specific case. After some of the older workers in our factory retired, their sons and

daughters took over from them. Not only did they take over their work, they took over the single rooms for living in the factory. An older worker sought me out to tell me about this, and he thought that there should be a housing readjustment. I thought his opinion was appropriate, but I deeply understood that to handle this matter well the task of ideological and political work would be arduous. I summoned all leading members of the network system to a meeting, and the new system of ideological and political work immediately began to operate at high speed. After doing good ideological and political work for one week, we decided to make the readjustment on a Sunday. As a result, in less than one day's time the living quarters of 513 persons were readjusted. In the entire readjustment process, not even a little problem that should not have appeared did appear.

[SHANXI RIBAO] This is really a new system that operates with high efficiency. Would you please discuss the reasons that it can operate with high efficiency?

[Guo Baolin] All right. The main reason is that, after the factory director responsibility system was put into effect, there were three advantageous conditions for the factory director to do good ideological and political work. First, the factory director responsibility system changed the positions of the factory director and the managerial personnel in the enterprise. The staff and workers understand that the quality of economic returns, the degree of their products being well known, and the prospects for development, are closely related to their position in society and their material interests. The rise and decline of an enterprise is closely related to the factory director and the administrative and managerial personnel, who have the right to make management decisions, direct production, and manage personnel. Therefore, when doing ideological and political work they integrate administrative, economic, and legal measures with ideological education, "firing a salvo" so that better results are obtained in ideological and political work. Second, the ideological problems of staff and workers are, for the most part, engendered in production and management activities. If these problems are left for the political work cadres, to investigate level by level, understand, report back, and study, and then to come up with methods for their solution, the time will frequently have passed and the situation will have changed, and the contradictions will have either been resolved or will have already been intensified. The factory director and the administrators and managers, who are on the first line of production and management activities, have the conditions for a timely grasping of the trends in the ideology of the staff and workers and to enhance the focused nature and the effectiveness for a given period of time of ideological and political work. In particular, because they understand the entire process of the enterprise's production and management activities, they can, through scientific prediction, adopt methods of education before the event and solve all sorts of ideological problems while they are in the embryonic stage. Third, the factory director and

the enterprise's administrators and managers are involved in the enterprise's production and management activities every day. They most clearly understand the objectives and intent of the enterprise's management, and can most easily explain to the staff and workers the reasons that the enterprise must do one thing and not another.

[SHANXI RIBAO] According to my understanding, after the new system of ideological and political work was put in effect in some enterprises, there was no distinct enhancement of the work and there even appeared "empty shelves" and "shocks." How can all of you effect a smooth transition from the old to the new system and ensure that the new system works normally with high efficiency?

[Guo Baolin] We have grasped four main links in this work. First, through training and constantly summing up and popularizing the experiences of administrative cadres at all levels in doing ideological and political work, we will enhance the consciousness of administrative cadres for doing ideological and political work, so that their ideology is properly positioned. Second, we have set up leadership organizations in which the factory director takes overall responsibility for ideological and political work, so that his leadership of this work in the enterprise is organizationally guaranteed. Third, we have made duties clear by setting up responsibility systems, smoothing out lateral relationships, and making clear the responsibility of the CPC, government, labor unions, and the CYL. Fourth, we have integrated the past ideological and political worker ranks composed of administrative and management cadres with the ideological and political worker backbone ranks of the party committee and of the labor union and CYL group heads, propaganda group members, and CPC and CYL members, thereby forming lateral connections across the board and links from top to bottom.

[SHANXI RIBAO] Some comrades say that the party committee has always controlled the direction and the line. Will the factory director's responsibility for ideological and political work affect the socialist direction of the enterprise?

[Guo Baolin] No, it won't. Not only will it not, it will guarantee that the socialist direction is better maintained in the enterprise's production and management activities. China is still in the initial stage of socialism, the productive forces are still very backward, and various nonsocialist economic forces still exist. In the process of reforming and opening up to the outside world and of developing the commodity economy, the ideas and forms of bourgeois management are bound to have a trial of strength with them. In economic activities, various kinds of abnormal phenomena, which, in the name of developing the commodity economy, in reality violate law and discipline will frequently appear. With regard to things in production and management activities that depart from the socialist direction, only the factory director, who positions himself in the production

and management activities, is most clear about what place, what time, and under what circumstances problems most easily arise, so that he can take measures diametrically opposed to the problems, educate the staff and workers to consciously resist the corruption of bourgeois ideology and to uphold the development of the enterprise in a socialist direction. At the same time, the party committee has broken away from routine affairs in order to concentrate its time and energy and to more profoundly, comprehensively, and painstakingly study the party's principles and policies, so that it may more effectively display and guarantee its supervisory role.

[SHANXI RIBAO] In the past there was the factory director responsibility system under the leadership of the party committee, which was later changed to a system in which the party committee handled the building of spiritual civilization and the factory director handling the building of material civilization. Now, even the ideological and political work has been given to the factory director. Doesn't this mean that the more reforms there are the more the party's leadership is weakened?

[Guo Baolin] We must not have a metaphysical understanding of the question of enhancing the party's leadership. Being in charge of more affairs is not equivalent to enhancing party leadership; the reverse is also true. In fact, in the past the party committee took charge of all affairs in the enterprise, but it didn't have time to take charge of building the party itself, with the result that the the party organizations' fighting capacity and the party's leadership were weakened. Conversely, in these years of reform, I and our party committee secretary Li Jucai [2621 5112 2088] think that our enterprise closely centers on the party's control tasks. Upholding the basic points and exemplarily implementing all the party's principles and policies, the Communist Party members in the enterprise have displayed very well their exemplary leading role. Last year 83.7 percent of the party members were assessed as model workers. At the same time, after the system of the factory director's being responsible for ideological and political work was put into effect, the full-time ideological and political work contingent in the party committee system was not weakened. On the contrary, they were extricated from a lot of daily ideological and political work, so that they were able, at a higher level, to study the enterprise's ideological and political work. In depth and breadth, it was made convenient to educate the factory's staff and workers on "one center and two basic points." Therefore, the image of our enterprise's party organization is fine and its cohesiveness is strong, and the party's leadership is firm. From this it is not difficult to conclude: The factory director's taking overall responsibility for ideological and political work is really an inevitability in history and a choice in practice.

### **Shanxi People's Congress on Rebellion in Beijing, Shanxi**

40050655 SHANXI RIBAO in Chinese 16 Jul 89 pp 1, 3

[Article by Wang Jianrong 3769 1696 2837: "Firmly Grasp the Spirit of the Fourth Central Committee Plenum of the 13th Party Congress, Earnestly Draw Conclusions from the Experience of Controlling the Unrest—Proceedings of the Joint Meeting of the Tenth Standing Committee of the Seventh Provincial People's Congress"]

[Text] The tenth session of the Standing Committee of the seventh provincial People's Congress on 13 and 14 July held separate meetings for the various working committees as well as a joint meeting involving all working committees. Documents from the 4th plenary session of the Central Committee of the 13th CPC Congress were studied and discussed, and a report on riot control and preservation of social stability in the capital of Shanxi was also discussed. During the joint meeting, the 28 members of the Standing Committee of the provincial People's Congress declared the intention of the Standing Committee of the provincial People's Congress, under the leadership of the Communist Party, to strive to strengthen the socialist democratic and legal systems under the guidance of the important speech of Comrade Deng Xiaoping and the spirit of the fourth Central Committee plenary session. They will do their best to establish the nation, take the path toward a stronger nation, and bring wealth to all the people.

### **Protect the Important Resolutions of the Fourth Central Committee Plenary Session**

In the declaration, everyone unanimously upheld the important resolutions of the fourth Central Committee plenary session. They upheld the way in which the organization of Comrade Zhao Ziyang was dealt with, and upheld the new central leadership which has Comrade Jiang Zemin at its core.

Feng Suta [7458 4790 7118], Deputy Director Zhang Jianmin [1728 0256 3046], and committee member Li Chunyou [2698 2504 2589] stated in the declaration that the fourth Central Committee plenary session firmly established the third generation central party leadership group, with Comrade Jiang Zemin at its core. Comrade Jiang Zemin's speech at the fourth Central Committee plenary session was very incisive. During the struggle to control the unrest and quell the counterrevolutionary rebellion, he held steadfastly to his position and flew his flag high. During the struggle against the stubborn supporters of bourgeois liberalization, he showed a high degree of political enlightenment and leadership ability. He dealt with the SHIJIE JINGJI DAOBAO problem very forcefully. With a central leadership core that has comrade Jiang Zemin as its general secretary, there is a strong organizational guarantee for implementation of the line that the party has pursued since the 3d Plenary Session of the Central Committee of the 11th CPC

Congress, as well as for the implementation of the party's "one center and two fundamental points" and of the party's basic line.

### **Zhao Ziyang's Support of the Unrest and Splitting of the Party Caused Extremely Serious Problems**

In the declaration, everyone exposed and criticized Comrade Zhao Ziyang's serious errors. He supported the unrest and split the party, which caused extremely serious problems.

Vice Chairman Zhang Jianmin said that Zhao Ziyang bore undeniable responsibility for the occurrence and spread of this unrest. During the planning stage for this unrest, Zhao Ziyang met last year on 19 September with an extremely liberal economist from the United States. Some Hong Kong newspapers that are reported to have close ties to Zhao Ziyang's "think tank" released a barrage of propaganda, and revealed that "Beijing was using the Hong Kong press" to publish news injurious to Deng and favorable to Zhao. "One Hong Kong magazine stated that, with regard to the chances of China taking the capitalist road, they had pinned their hopes on Zhao Ziyang. In April this year, when a very small minority took advantage of mourning for Comrade Hu Yaobang as an excuse to oppose the leadership of the Communist Party, fight against the socialist system, and stir up unrest in a planned and organized manner, Zhao Ziyang adopted a lenient and permissive attitude toward them. Zhao Ziyang's speech on 4 May at the conference of the Asian Development Bank was a turning point that caused the turmoil to heighten. His speech was completely at variance with the resolution of the Politburo Standing Committee, Comrade Deng Xiaoping's speech, and the 26 April RENMIN RIBAO editorial. It caused serious ideological confusion, lent support to the organizers and planners of the unrest, brought on another wave of protest marches in Beijing, and caused the unrest to reach new heights. Zhao Ziyang also stirred up the press and misled public opinion, which abetted the progress of the unrest. On 16 May, Zhao Ziyang used his meeting with Gorbachev to consciously direct the struggle against Deng Xiaoping, causing the situation to deteriorate further. On 18 May, Hong Kong's EXPRESS published an article entitled "Down With Deng, Down With Li, Up With Zhao." The central leadership called a conference of party, government, and military cadres on 19 May to announce their policy, but Zhao Ziyang clung stubbornly to his mistaken position, which was in opposition to that of the correct policy of the central leadership. This revealed to the entire party, the entire nation, and the entire world his split-the-party attitude. On 17 May the Standing Committee of the Politburo decided to declare martial in parts of Beijing, and a very small number of people privy to sensitive party and government secrets leaked the news. A person who had worked at Zhao Ziyang's side leaked the sensitive secret to a leader of an illegal organization, which caused martial law troops to meet with obstacles wherever they tried to



advance, until the situation developed into a counterrevolutionary rebellion. Zhao Ziyang rejected the four basic principles, supported those who clung stubbornly to bourgeois liberalization. These people were the primary activists behind the unrest and the rebellion, and many of them maintained contact with hostile forces located in foreign countries or outside China's borders, or with U.S. intelligence agencies. The decision of the fourth plenary session of the Central Committee's decision to continue the investigation of Zhao Ziyang was completely necessary.

**Support Expressed for Provincial Party Committee's Decisions in Controlling Unrest; Satisfaction Expressed Regarding Great Amount of Work Performed by Provincial Government in Controlling Unrest**

The unrest and counterrevolutionary rebellion which occurred in Beijing affected Shanxi, and caused political unrest in the provincial capital of Taiyuan. Particularly after Zhao Ziyang's 4 May speech, illegal protest marches repeatedly attacked provincial leadership organs. They were also directed at the "Two Conferences and One Workshop," which were meeting at the time and in which many foreigners were participating. This had a very harmful effect both domestically and abroad. They established an illegal organization, insanely pressed their counterrevolutionary propaganda, attacked public security police and military police, destroyed vehicles, blocked trains, destroyed traffic infrastructure, instigated strikes and work stoppages, and attempted to create even greater unrest. In the face of this serious struggle, the provincial party committee and the provincial government took a clear stand in upholding the 26 April editorial and took a series of decisive steps and resolutely upheld the proper guidance of public opinion. As soon as events began to occur, they attacked the bad elements who instigated the unrest, as well as the vandals and looters, thereby preventing the spread of the unrest and holding losses to a minimum. Taiyuan and the entire province was thus stabilized. The committee members resolutely upheld and fully praised this course of action.

Secretary General Wu Rui [0702 6904] gave a speech in which he stated that the serious political unrest in Taiyuan failed to spread only because of the clear stance and appropriate measures taken by the provincial party committee and the provincial government. This also enabled a quick return to normalcy in Taiyuan after the counterrevolutionary rebellion in Beijing was quelled. I agree with the report that Deputy Governor Wu Dacai [0702 6671 2088] delivered on behalf of the people's government of Shanxi, in which he described how the unrest was controlled and social stability preserved in Taiyuan. I also uphold the decisions that the provincial party committee took in connection with controlling the unrest, and am satisfied with the great amount of work that the provincial people's government performed.

**To Uphold the Four Basic Principles, One Must Depend on the Working Class With All One's Heart. The "Dilution of the Working Class" Theory Is, in Fact, a Dilution of the Four Basic Principles, and Seeks To Eliminate the Leadership of the Party**

Everyone said in the declaration that the working class is the basic force upon which the party relies. The Constitution stipulates that "the People's Republic of China is a socialist state under the people's democratic dictatorship, led by the working class and based on the alliance of workers and peasants." To uphold the four basic principles, one must depend on the working class with all one's heart. For a long time, however, those who oppose the four basic principles and press for bourgeois liberalization have been "diluting the working class." Practice has proved that, both in theory and in practice, this is very mistaken and harmful.

Committee member Sun Yanxiang [1327 3508 4382] stated in the declaration that during the unrest a very small minority of rabble-rousers shouted that they wanted to destroy the coal mines, transportation infrastructure, and the north China power network in order to paralyze north China, including Beijing, Tianjin, and Tangshan, so as to force Li Peng to relinquish power. Under their instigation, some university students repeatedly attacked large factories and mines, including Taiyuan Steel Company, Taiyuan Heavy Machinery Factory, and Xishan Mining Bureau. They hindered workers from entering their plants and incited them to go on strike. A small group of local ruffians and thugs and other dregs of society set up the "provincial self-preparatory labor force" in a desperate attempt to divide the ranks of the workers. At this critical juncture, the workers took a clear stand, upheld the decisive measures, instructions, and orders handed down by the party's central leadership. They resolutely remained at their posts, resolutely continued production, and resolutely remained working. The students used small loudspeakers to make their speeches, but the workers at Taiyuan Steel used large speakers as they continuously broadcast the speeches of premier Li Peng and president Yang Shangkun. Some workers asked the students: "Aren't you for patriotism? If we go on strike and march in the streets, stop working, and quit production like you want us to, how is the country going to develop? How are we going to live? That's not patriotism. That's chaos!" Taiyuan Steel's Li Shuangliang [2621 7175 5328], a special model worker for all of Shanxi Province, said: "We've tasted the fruits of 10 years of reform. The bitterness of 10 years of unrest was all we care to take. Unrest can only bring suffering and pain to the people. We steadfastly refuse to stir up unrest. We steadfastly refuse to go along with you." When Shi Fengchun [4258 6646 2504], a driver for Taiyuan Iron's eastern operations section, found traffic in the city paralyzed, he walked 30 Chinese li (roughly 9 miles), arrived at work on time, and completed his rounds on schedule. Several workers from the Lingqiu operations section, finding the trains running in the direction of Beijing stopped as a result of the student unrest, spent 60 yuan out of their



own pocket to rush to work on time in Yuanping. Someone used the phone twice to threaten the staff at the Bureau of Railways, warning them not to follow orders from the central leadership but to listen instead to the "Voice of America." Our staff at the Bureau of Railways fearlessly declared their refusal to go along with the rumormongers. The workers at Jinxi Machinery Plant barred the troublemakers outside their gate and resolutely maintained production, refusing to leave work until they had reached the production quota for their shift. Some stayed at the job until 0300 the following morning. At Xishan Mining Bureau, 1,700 workers assigned to security detail stood guard over every important transportation route to prevent the students from entering the mining areas and linking up with workers there, thereby assuring normal production. Due to the efforts of four million people in the working class throughout the province, Shanxi industrial production went very well. Total industrial output for the entire province from January through June was 13.32 billion yuan, which was an increase of 10.1 percent over the same period of the previous year. Coal production reached 128 million tons, an increase of 10.2 percent over that in the same period of the previous year. Electricity generation reached 15.007 billion kilowatt-hours, which represents an increase of 11.9 percent over the same period of the previous year. Production of chemical fertilizers totaled 356,600 tons, or 8.2 percent more than the same period of the previous year. The production of such important materials as steel, iron, and cement rose by differing amounts in each category. Practice has proved that the working class is not only the main force in stabilizing the economy and advancing production, it is also the main force in maintaining order, and an army possessed of highly developed political consciousness.

However, for a long time, Comrade Zhao Ziyang has not been in favor of relying on the working class. His so-called think tank has wantonly advocated "diluting the working class." They want to push something called "rule of the nation by elites" and "factories managed by those with talent." They say that "workers are poorly prepared to participate in enterprise management." In their theory and their ideology they ignore the leadership of the working class, and in practice they do not rely on the workers. In reality, this eliminates the leadership of the Communist Party. They say something about how "if a worker has a complaint and vents his grievance, it is only a matter of letting off steam, only a safety valve." They say something about how "if the workers had more initiative, wouldn't the economy develop even faster and wouldn't it be even less likely to go into a slump?" Under the influence of their mistaken ideology and theory, the myth of "a single 'capable person' saving an entire enterprise" has appeared. There have appeared mistaken ideological trends whereby "model workers are no longer what we need" and "steadfast struggle is out of fashion." Comrade Jiang Zemin clearly stated in the 4th Plenary Session of the Central Committee of the 13th CPC Congress that "we must rely on the working class with all

our hearts. If we divorce ourselves from their enthusiasm, creativity, and sense of responsibility that comes from being masters of the nation, we can accomplish nothing." Only by continually raising the political consciousness of the workers and by protecting the position of the workers as masters of the nation (and by protecting their legal rights), can we bring into play the enthusiasm of the great majority of the workers. Therefore, the most important task at this moment is to vigorously educate the public about the position of the workers and their historical impact. As we progress and institute reform, we must firmly establish the concept of wholeheartedly relying on the working class. Then we will truly resolve this problem from the standpoint of ideology as well as practice.

**The National People's Congress, a Fundamental Institution, Was an Important Focus of the Political Struggle. An Important Task at the Current Time and in the Future Is To Strengthen, Consolidate, Perfect, and Develop This Fundamental Institution in Order To Bring Its Strengths Into Play.**

The National People's Congress, a fundamental institution, was an important focus of the political struggle. The Eighth Session of the Standing Committee of the Seventh National People's Congress played a key role in controlling the unrest and thoroughly suppressing the counterrevolutionary rebellion. However, those who insist on bourgeois liberalization and are involved in secret plots used every trick at their disposal, including attempting to use the name of the National People's Congress to support the unrest and rebellion. The facts, both positive and negative, show that the National People's Congress is a truly fundamental institution, and that an important task at the current time and in the future is to strengthen, consolidate, perfect, and develop this institution. Committee member Zhang Jincai [1728 6651 2088] said that, in view of the recent struggle, this is a new characteristic. Therefore, to sum up our experience, we must conscientiously strengthen and perfect the National People's Congress, and we must resolutely protect the Constitution and inculcate respect for the law.

Vice chairman Liu Yanqing [0491 4291 7230] pointed out that Comrade Deng Xiaoping said in his 9 June speech that there was one worthwhile element to the political reforms: We adhere to our system of the People's Congress, and not to an American-style separation of powers. Comrade Jiang Zemin also emphasized that we must redouble our efforts to implement democracy and the legal system. Resolutions passed by the Eighth Session of the Standing Committee of the Seventh National People's Congress regarding control of unrest and suppression of rebellion also clearly called for more legislative action, continued development of socialist democracy, perfection of the socialist legal system, and continual strengthening and perfecting of the regional system of the people's congresses. To sum up the experience of this province, as regards the work of the People's Congress and the establishment of democracy

and the legal system, in the future we must continue to strengthen local People's Congresses. Many years of experience have proved that this system is appropriate for conditions in China. Without the People's Congresses, it would be difficult to ensure smooth development of China's democracy and legal system. The democratic rights of the people could be trampled upon, and reform and opening to the outside world could become an uncertain endeavor. As a result of the recent unrest and rebellion, we have earnestly summed up and criticized some mistaken ideas, and resolutely upheld the People's Congress system. The reforms must not be rolled back. Democracy must not be rolled back. The work of the People's Congresses must not be diminished. Work to establish democracy and the legal system must be continually strengthened. We must continue to perfect the People's Congress system. We must accelerate legislative action to safeguard reform and opening, as well as to combat bourgeois liberalization. We must enact legislation to safeguard the people's democratic rights. We must create a fully developed and systematic legal environment for consolidation and rectification, reform and opening, and combatting bourgeois liberalization. Committee member Bai Jicheng [4101 4949 2110] said that some people tried to use organs within the People's Congress during the recent unrest in various places across China and during the counterrevolutionary rebellion in Beijing to achieve their ends. Comrade Zhao Ziyang at times wanted to weaken the function of the People's Congresses, but at other times he tried to use its power. This has happened twice since last year. One involved the question of merging districts in counties where population was low. The other time involved the question of appointing and impeaching officials in the government. These are important issues, and there were already clear provisions in the law concerning these matters, but Comrade Zhao Ziyang, who was general secretary at the time, arbitrarily allowed research into these matters, which led to ideological confusion. During the recent unrest and rebellion, Comrade Zhao Ziyang tried to use the power of the People's Congress to apply pressure to the government. In accordance with the spirit of the 4th Plenary Session of the Central Committee of the 13th CPC Congress, we must further strengthen and improve the work of the People's Congress, and, under the leadership of the party, uphold the fundamental line of "one focus, two basic points." We must also make this the guiding principle in such important areas as legislation, decisions, oversight, appointments, and impeachments.

**To Strengthen the Socialist Democracy and Legal System and Strengthen Patriotic Education Is Extremely Necessary for Long-Lasting Stability and Order in our Nation**

Vice Chairman Li Yuming [2621 3768 2494] said that during the recent unrest some young students raised the banner of "democracy and freedom," and thought that they were involved in some sort of "patriotic movement." On the contrary, the movement betrayed socialist democracy and legal order. The students know

very little about democracy. We must learn a lesson from this. We must carry out extensive programs to educate the youth about democracy and the legal system. In this world there is only concrete democracy, not abstract democracy. Democracy carries a class nature. There are fundamental differences between democracy in socialist countries and the democracy of the bourgeoisie. Democracy and the legal system are closely interrelated. Democracy that is not carried out in accordance with the law is lawless anarchy. A legal system without democracy is despotism. The essence of democracy is the rule of the majority over a small minority. This essence is embodied in China's democratic dictatorship of the people. This democracy is much better than bourgeois democracy. Only by upholding the democratic dictatorship of the people, suppressing criminal movements that are traitorous and counterrevolutionary, punishing movements that threaten social order and destroy the socialist economy, and punishing and remolding criminals, can we safeguard the democracy of the great majority of workers. This is a fundamental function of countries that have adopted the democratic dictatorship of the people. The leaders among those who pushed so hard for bourgeois liberalization were in reality trying to destroy the democracy of the great majority of the people. There was a political motive behind their attempts to sell to the people, especially to young students, a Western bourgeois democracy, which is not appropriate for conditions in China, and which to a large extent is in fact fake. The content, form, and path of development of the socialist democratic system is decided on the basis of socialism. Its development can only accompany economic, cultural and social progress. It is an ordered, gradual process, and certainly is not achieved through simple protest marches or shouting of emotive slogans. In China, a citizen must enjoy the rights that are guaranteed by law, and must fulfill the duties that the law prescribes. There is no duty without rights, nor are there rights without duties. One cannot, in exercising his or her own rights, violate the rights of others, much less violate or impair the rights of the majority of the people. If anyone impairs or violates the rights of others, the law must deal with them. This is the basic common sense of democracy. Western capitalist nations, which have been so blindly worshipped, have never had a democracy "above class lines." When Ronald Reagan, as governor of California in 1969, used military force to suppress protest marches at the University of California, he clearly announced that leftwing communists were behind the movement. When the U.S. Government sent an agent to assassinate Martin Luther King, it was a declaration that the civil rights movement of the black people threatened national security. Bourgeois theorists always preach about how "democracy cuts across class lines and national boundaries," but in reality, once a democratic movement threatens the stability of the capitalist system, they ruthlessly tear off their democratic overcoat and use the military to suppress the movement. With regard to China, if it were only a few childish youths who were behind the unrest, they could very well have been deceived, and the whole thing could be forgiven. But since it was a party cadre,

and a high-level leader at that, who held these views, what else are we to call him, but a flag bearer of bourgeois liberalization? No wonder he made haste to announce to the instigators of unrest in Tiananmen Square in the early morning hours of 17 May that they "need not worry, that the party would definitely not 'settle accounts after autumn' (take revenge after the movement had come to an end)." The term "settle accounts after autumn," in both law and politics, is not scientific. Apart from egging the students on, how are we to interpret his statements?! Apparently, to strengthen the socialist democracy and legal system, we must first bolster propaganda and education in order to make people understand clearly that, for long-lasting stability and order in our nation, it is extremely necessary to inculcate rigorous concepts about democracy and the legal system.

Vice Chairman Wei Yunyu [7614 5686 3842] said that a review and summary of the actions of the students during the recent unrest and rebellion gives one cause for deep reflection. Our youth will take over the reins in the future, and their political confusion could cause a fundamental change to occur to the socialism that was won at the cost of many martyrs' blood.

Vice Chairman Yan Wuhong [7051 2976 1347] said that people were saying during the unrest that "nothing has been achieved in China in 40 years" and that "Japan and the United States were better." England's bourgeois revolution occurred more than 300 years ago. The United States was established over 200 years ago, and the Meiji Restoration in Japan also happened more than 120 years ago. There is nothing they have not resorted to in the process of their accumulation of capital, including plunder, invasion, selling drugs, selling black slaves... How many evil acts have they committed? No matter quickly China develops, it will not be easy to do everything they have done in several hundred years. China is still very poor. That is a fact. But in terms of national power, we have already reached an unprecedented level. China is a large, powerful, and independent nation. Some people even say it would be better to be a colony. That is truly shameful.

#### **The Issue of Clean Government Is Related to the Larger Issue of the Cohesiveness of the Party and the Nation**

Vice Chairman Liu Yanqing and committee members Song Peiqing [1345 1014 3237], Du Zheng [2629 2973], Chen Xianming [7115 7359 2494], Wang Keping [3769 0344 1627], Liu Yao [0491 5069], Lu Shangji [0712 1424 0679], Zhang Yutian [1728 3768 3944], Wang Xiulan [3769 4423 5695], Zhang Jindou [1728 6930 2435], and Wang Yaoling [3769 5069 7227] noted in their speeches that Comrade Jiang Zemin had stated in his speech to the 4th Plenary Session of the Central Committee of the 13th CPC Congress that "an important reason why the instigators behind the recent unrest were able to spur so many people into action is that there is a serious corruption problem with some party cadres,

especially a very small minority of them. Every one of China's nationalities is watching us to see whether we will take concrete measures to punish those involved in corruption. We must do something in the near future to raise the spirits of the people and the party." However, for a long time Comrade Zhao Ziyang did not adhere to the four basic principles, and he preached such theories as "the theory of the inevitability of corruption," "the influence of the party must be diluted," and so forth. During a Politburo discussion of "bureaucratic speculation" last November, he said, "We have been discussing this all day, and we still haven't clarified what bureaucratic speculation is." Based on Shanxi Province's investigations into the situation here, "bureaucratic speculation" does indeed exist. First, there are bureaucrats who hold administrative power. Second, there is illegal speculation, where they take capital goods allocated by the state plan and other items in high demand and illegally buy and sell them in order to make windfall profits for their units and for themselves. For the nation's general secretary to take such a lax attitude toward the problem of "bureaucratic speculation," which is of such vital concern to people throughout the nation, is a clear mistake.

Committee members Du Zheng and Chen Xianming said in a joint speech that punishing corruption is important in winning the trust of the people. Jiang Zemin, the Chinese Communist Party Central Committee general secretary, and Li Peng, the State Council's premier, spoke of two fundamental points concerning the punishment of corruption during a meeting with diplomats stationed abroad on 12 July. The first is that it must start with oneself, with the central leadership. The second point is that it cannot be just idle talk. The measures that are formulated must be realistic and feasible. Secretary Li Ligong [2621 4539 0501] said in his report to the seventh session of the Fifth Shanxi Provincial CPC Committee that actions speak louder than words, that the party must take the lead and provide an example, that they must have self-discipline, and that they must serve as a model. We suggest that we must first rectify organs under the direct control of the provincial government. We must rectify companies. We must eliminate and deal with companies that violate discipline. Shanxi Province is "the coal capital," and speculation in coal is the worst type of bureaucratic speculation. We must direct our greatest effort at rooting out and punishing the exploiters who speculate in coal. We also suggest that the leading organ such as the provincial People's Congress strengthen its oversight of the "one government and two yuan", and we also suggest that they strengthen the legal system in order to further the cause of the four modernizations.

The following also spoke in the joint session: Vice Chairmen Pan Ruizheng [3382 3843 1767] and Yan Yuanxiao [7051 0337 6906] and committee members Fu Xiaoyan [0265 1420 3601], Chang Xiuwen [1603 0208 2429], Ding Yuqi [0002 5940 6386], Jiang Di [3068 0966], and Xu Sifu [6079 0934 1788].

### **'Political Situation' Affects Trade Between Taiwan, Mainland**

40060693 Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese  
No 27, 10 Jul 89 p 29

[Article by Ying Jian 2019 1696: "The Impact of the Political Situation in Beijing and Issues That Exist in Trade Between Taiwan and Mainland China"]

[Text] The volume of indirect trade between Taiwan and Mainland China has increased quite rapidly in recent years, setting a record of \$2.72 billion in 1988, or 80 percent more than in 1987, and reaching \$820 million in the first quarter of 1989—a sharp increase of 67 percent over the first quarter of 1988. But the changed political situation in Beijing since April 1989 will have a negative impact on trade between Taiwan and Mainland China.

#### **I. Beijing's Changed Political Situation Will Cause a New Setback in Trade Between Taiwan and Mainland China**

Although indirect trade between Taiwan and Mainland China has been going on for only a very short period of 10 years, it has suffered two setbacks due to various reasons. The first upsurge in trade between Taiwan and Mainland China occurred after the policy of opening up to the outside world was put into effect on Mainland China in 1978. But since Taiwan insisted on embargoing entrepot trade and imposed legal sanctions against some businessmen, there was a major slide in trade between Taiwan and Mainland China for 2 consecutive years beginning in 1982. The second upsurge in trade between Taiwan and Mainland China occurred after 1984 but, since imports were later restructured on Mainland China, there was another decrease in trade between Taiwan and Mainland China in 1986. This shows that although unfavorable political and economic factors may cause trade between Taiwan and Mainland China to decline to a certain extent, each period of decline is quite short and very quickly drowned out by a new upsurge. The recent change in the political situation in Beijing will also have a psychological impact on Taiwan businessmen and may very well cause a new setback in trade between Taiwan and Mainland China.

But this setback will be different than the last two. Since Taiwan has been strongly pressured by trade protectionism from all Western countries and affected by the standardization process of the European Economic Community [EC] in recent years, market decentralization has become Taiwan's current basic trade policy. But since its prospective new markets, such as South America, the Middle East, the Soviet Union, and Eastern Europe, are affected by many limitations in certain areas such as debt, foreign exchange, and market capacity, as well as the many difficulties Taiwan is experiencing in opening up these markets, Taiwan cannot completely give up developing its Mainland China market, which has such a good potential. Thus, although trade between Taiwan and Mainland China may increase considerably

slower in the next 2 years, it is not likely that it will decrease. It looks as if there will still be a new upsurge in trade between Taiwan and Mainland China if the Mainland can achieve a stable and good economic climate by 1991. It is predicted that Taiwan's trade dependence on Mainland China will increase from about 3 percent at present to 15 percent by the end of the 20th century.

#### **II. Indirect Trade Should Remain the Basic Form of Trade Between Taiwan and Mainland China**

I think that under the present conditions, the status quo should be maintained and indirect trade should remain the basic form of trade between Taiwan and Mainland China. Direct trade between Taiwan and Mainland China should not be encouraged or forced too soon for the following reasons:

A. Since the Taiwan authorities have continued to adhere to the policy of "Three No's" (no contacts, no negotiations, and no compromises), it will continue to be difficult for them to abandon this stand in the near future, particularly after the Beijing massacre;

B. Taiwan businessmen seem to want to maintain indirect trade with Mainland China for the following reasons: 1) They feel "safer" because they are in solidarity with Hong Kong businessmen; 2) They can take advantage of transfer bills of exchange, falsify their sources of raw materials, pre-empt the Taiwan authorities' inventory restrictions, and smoothly import to Taiwan markets many mainland products that are not listed on the "unrestricted import inventory." This is favorable to increasing trade between Taiwan and mainland China.

C. Mainland China can take advantage of Hong Kong's advantages in areas, such as trade financing, trade information, and transportation, to develop Hong Kong into a base for trade with Taiwan. Taiwan's "Three No's" policy makes financing of direct trade between Taiwan and Mainland China very difficult, while financing for indirect trade is not a problem;

D. It would be hard to mediate commercial disputes that would arise in direct trade between Taiwan and Mainland China. But developing entrepot trade and having arbitration organs in major transit ports that both sides can accept, would be very favorable to ensure the smooth development of trade between Taiwan and Mainland China. Hong Kong has already set up the "Chinese Trade Association," that is made up of nongovernmental organizations from Mainland China, Hong Kong, and Taiwan and has established a "mediation committee" to regulate commercial disputes between Taiwan and Mainland China.

#### **III. Issues That Exist in Trade Between Taiwan and Mainland China**

The following major issues still exist in the process of increasing trade between Taiwan and Mainland China:

A. Mainland China has a huge trade deficit, which is continuing to get worse, in its indirect trade with

Taiwan. Mainland China's trade deficit with Taiwan was \$1.763 billion in 1988, or a sharp increase of 88 percent over 1987, and increased again to \$536 million in the first quarter of 1989, or 90 percent more than in the first quarter of 1988. Mainland China had accumulated a trade deficit of \$5.728 billion by the first quarter of 1989. Moreover, Mainland China exports to Taiwan are clearly increasing slower than Taiwan exports to Mainland China. Taiwan exports to Mainland China increased 82.72 percent, while Mainland China exports to Taiwan increased only 65.74 percent, in 1988. These figures were 75.2 percent and only 38.2 percent, respectively, in the first quarter of 1989. Taiwan exports to Mainland China increased one hundred twofold, while Mainland exports to Taiwan increased only eightfold, in the last decade. If this trend is not reversed, Mainland China's huge trade deficit will slow down its healthy development of trade with Taiwan and worsen its overall trade deficit in just a few years;

B. The product mix in indirect trade between Taiwan and Mainland China is irrational. The product mix of Taiwan exports is better than that of Mainland China exports and includes many commodities that import of is strictly restricted by Mainland China. Whereas most Mainland China exports are primary products and industrial and agricultural raw and processed materials, and many labor-intensive products from Mainland China are not allowed to enter Taiwan's markets. Only 23 of 32 Mainland China commodities and 33 Taiwan commodities with individual transit values of over \$10 million were identical in the first 11 months of 1988. Most of the goods produced by Mainland China are mainly natural raw materials that are very seldom processed. From the perspective of the difference in kind of transit goods between Taiwan and Mainland China, almost all of Taiwan's transit goods are manufactured goods, a very large percentage of which are high-tech products, while Mainland China's transit goods are industrial and agricultural raw materials and primary products. In addition, household electrical appliances and durable consumer goods are accounting for an increasingly larger percentage of the major commodities that Mainland China imports from Taiwan.

Mainland China should take the following steps to settle these issues: 1) It should readjust its entrepot trade product mix, restructure its present exports that are mostly primary products and industrial and agricultural raw and processed materials, export more labor-intensive products, and restrict imports of household electrical appliances, motorcycles, durable consumer goods, and articles for daily use that can be made in China. 2) It should vigorously develop the three forms of processing and compensation trade and develop coastal zones in Fujian, Guangdong, Jiangsu, and Zhejiang provinces into bases to supply semimanufactured goods for Taiwan exports. 3) It should vigorously expand tourism by Taiwan compatriots and use its invisible trade surplus to compensate the deficit. 4) It should bring in Taiwan's capital to develop Mainland China's

new high-tech areas, set up production bases of micro-electronics, computers, and other high-tech electronic products, and aim at developing future international markets by establishing goals to import rather than export, so that it may exploit the Taiwan market.

### Survey Indicates Support for 'Independent Sovereignty'

40050663c Taipei TZULI WANPAO in Chinese  
22 Jul 89 p 2

[Article by Lin Yung-ch'ung 2651 3057 1504: "Public Opinion Poll by Ch'en Shui-pien 7115 3055 2078 in First and Second Electoral Districts Shows 70 Percent Feel Taiwan Must Have Independent Sovereignty"]

[Text] Chairman of the U.S. House Subcommittee on Asian and Pacific Affairs Stephen Solarz issued a "Taiwan Report" yesterday that shows that 80 percent of all Taiwanese in the United States support Taiwanese independence, while in Taiwan a recent questionnaire survey carried out by the staff of Legislative Yuan member Wu Shu-chen [0702 3219 3791] shows that 70 percent of the people feel that "Taiwan should have its own independent sovereignty."

Ch'en Shui-pien, the lawyer who conducted the survey, stated that the original purpose was primarily to understand what people thought about "Taiwan's sovereignty." Much to everyone's surprise, it was discovered that 70 percent of the respondents felt that "Taiwan must have its own independent sovereignty." This shows that the majority of voters in Taipei are in favor of independent sovereignty for Taiwan.

Ch'en Shui-pien, who is running to represent northern Taipei in the Legislative Yuan, stated that this survey is closely connected with his campaign. He will use the results of this survey to further his understanding of the wishes and thinking of the voters in the Sungshan, Shihlin, Tatung, and Nankang districts.

The responses of more than 500 people were included in the analysis of this questionnaire, of whom half were female, 75 percent were native Taiwanese, and half were university or technical school graduates.

This survey was conducted by randomly telephoning 550 voters in northern Taipei. The statistics were based on 537 interviews.

The survey was conducted from 11 July to 13 July.

### Open Letter to 'Model Politician'

40050663b Taipei TZULI WANPAO in Chinese  
23 Jul 89 p 9

[Article: "A Model Politician: Chang Tzu-yuen 1728 1311 3293"]

[Text] Dear Former Mayor Chang:

A predecessor of mine in the field of political commentary once advised me that my essays must criticize those with power and prestige rather than kick those who are down. This insignificant nobody took his advice very much to heart, and, although you have been promoted from mayor to vice chairman of the committee on state enterprises, you can be considered a man who was down but is getting back up, so you do meet the standard that I so respect. Furthermore, a model politician like yourself, so hard to find, truly ought to be introduced to everybody.

The main difference between a statesman and a politician is that the former's only concern is for the people, while it is precisely the people that the latter is not concerned about. As for your political achievements, for two years in a row you have ranked 17th or 18th among Taiwan's 23 mayors and county administrators in public opinion polls, yet you show no trace of shame and are not at all inclined toward self-examination. On the contrary, within days many people sent you wreaths. It turns out that you were the only mayor or county administrator to whom the central government had guaranteed status as "most outstanding public official." This proved your judgment correct: One can ignore the will of those "below," no matter how numerous they may be, just as long as one person "above" looks upon you with favor. No wonder the people of Taichung don't even exist for you!

Take, for example, the rumors about your involvement in land speculation. If you were, in fact, guilty of no wrongdoing, you should have fought the case. I sincerely believe that not only would Kuomintang party members have supported you in the primary, but the people of Taichung would have supported you in the general election, and you could have easily held your throne, free of suspicion. But you don't believe in the power of the people. You were never willing to appeal to the court of public opinion when the rumors started flying. Rather, you took care of the matter in private, with the result that you yourself were "taken care of." It is apparent that for you the people never existed.

If, on the other hand, you came of your own accord to feel any remorse, and if it were true, as they say, that your "speculation was much too unethical," and that you "made way too much money," then when the affair came to light you should have recognized that you had not done right by the citizens of Taichung. You should have taken responsibility for the affair and resigned instead of brazenly taking the vice chairmanship of the committee on state enterprises. Of course, you wouldn't care how the great majority of employees in the state-run enterprises look upon you, since they are not "qualified" to exist in your eyes.

Just for argument's sake, when you stepped down you could have at least presented the appearance that you had some connection with the people. You could have said something about how you hated to leave the people, but that the party had requested your services elsewhere.

But you didn't. You said you were acting "to preserve party unity." What about the 140,000 people who voted for you? Now you say you're through, and that's that! You actually quit the office and "fled" without a word of explanation to the voters! You only said you were doing it for that party of yours. You are too, too arrogant toward the people! You only know there is a "party" and know nothing of the "citizens." Is this the kind of party member that "forever stands on the side of the people"?

In short, I am sure that a politician like you, who only "looks upward," will do better and better the longer you ply your trade. All who hope to get involved in politics should follow your example, for they would have, just like you, an unlimited future!

### Widespread Problems Called Result of 'Government Bungling'

40050663a Taipei TZULI WANPAO in Chinese  
24 Jul 89 p 2

[Article by Wu Fengshan 0702 0023 1472: "Taiwan Really Has Become Ill!"]

[Text] Because of governmental bungling, because many people in our society look only for short-term profit, and because one mistake begets many more, Taiwan today has truly fallen ill! And the disease has progressed to the point where anything less than an effective cure will not be enough to pull it from the jaws of death.

#### I

"Human flesh has a price," and the import of foreign girls by cunning merchants of pornography is not even news. Foreign girls have flooded places of prostitution in Taipei and Kaohsiung for several years already. Mainland China is so near one can almost reach out and touch it, and when the police last Saturday discovered nine girls from the mainland who had been forced into prostitution, they were only looking at the tip of the iceberg.

The problem of illegal investment companies is growing. Nearly 200 billion yuan in private funds, in pursuit of super-high interest rates, has fallen into the hands of illegal investment firms. The government tolerated this situation for a long time. Many high officials who have long since seen their finest hour are apparently willing to protect these illegal investment firms. The eyes of ordinary people are not discerning. As soon as one of these firms goes belly-up, the list of those "buried along with the protagonist" will be a long one indeed.

The (?liu ho ts'ai 0362 0678 1752) gambling craze that has swept across central and southern Taiwan is still going strong. Gambling house operators still place advertisements in newspapers and magazines that fill several large pages. The more than three million stock speculators who have taken to playing the market cause prices to fluctuate so wildly that they no longer reflect the actual

strength of the companies listed on the stock exchange, which now sits as precariously as a tower on sand.

The first round of the yearend election contest has just come to a close. The mudslinging and bribery resorted to by the participants has written a filthy new page in Taiwanese electoral history. "Political ethics" appears to have become a term for the history books. The degree to which public office has become commercialized far exceeds that of any other country. The military brazenly interferes in political affairs, and even the highest officials in the Kuomintang [KMT] throw up their hands in despair.

## II

The worsening prostitution, gambling, and political climate are not the only signs of Taiwan's malaise.

The government pays no attention to Taiwan's automobile problem, although automobile density on this island is twice that of Japan and 13 times that of the United States. In big cities, cars can barely circulate and there is a serious shortage of parking spaces, but officialdom still refuses to accelerate construction. They merely allow the cars to go on multiplying in geometric progression. The citizen who, full of excitement, buys a car only to find himself confronted everywhere with obstacles, bitterly criticizes the city government and the Transportation Ministry.

With the quality of life deteriorating by the day, one fails to discern signs of progress. People have been discussing how to deal with garbage for 10 years, and they are still discussing. The government has not come up with a way to solve the problems of mountain slopes that are opened up for agricultural misuse and of illegal logging of mountain forests. There have been several controversies over industrial pollution, but after payment of fines the pollution continues unabated.

There has been extremely slow progress regarding reorganization of parliament, the fundamental element of national reform. For the sake of its own short-term interest, the ruling party is using compromise for everything it is worth. The position of the old parliamentarians is now as perilous as that of a rat crossing the street, but they are still fighting tooth and nail now that they are under fire. They have shamelessly cut themselves off from the people.

## III

For many years, the government has always used the excuse that the aforementioned maladies are "inevitable accompaniments of a society in transition." The "society in transition" is a fact, but to use "the inevitable accompaniments of a society in transition" as an excuse for chaos actually shows government's complete powerlessness!

What government, pray tell, has instituted an absurd foreign exchange policy like our own? What government

values a huge current account surplus as a cosmetic while refusing to accelerate construction of public infrastructure?

What modern government, pray tell, has confused political dogma and political reality for such a long period of time? What modern country does not know how to take advantage of the strength of a thriving society, but only distorts and represses, as ours does?

What country, pray tell, that has determined to progress toward democracy and the rule of law does not begin by demanding that the government itself respect the legal system? In what country where there is determination to progress toward democracy and the rule of law do the rulers bandy the law about at will?

## IV

There is a strange theory afoot, according to which Taiwan's present condition is no cause for alarm and in a year or two everything will be like the clear skies that follow a storm.

In the face of this malaise and the optimistic outlook of some, those who are deeply involved in Taiwanese society "tremble, though the weather is not cold."

From the interdepartmental bickering that broke out after the problem of the illegal investment companies surfaced, it can be seen that the government never gave serious thought to the issue of illegal investment firms, nor much less did it come up with a way to solve the problem, although it had a long time to do so. As for other more complex issues, one can imagine what attitude the government will adopt regarding their resolution!

President Lee is a good president. How everyone hopes that the talented new leader will be able to sweep away the endless nightmares brought on by the officialdom of earlier times! How they hope that he will respect their burning expectations, and work quickly and forcefully to cure Taiwan's ills!

### Assessment of 'Multisystem Country' Concept

40050664a Taipei TZULI WANPAO in Chinese  
23 Jul 89 p 2

[Article by staff reporter Wang Ming-i 3769 6900 5030: "The Proposal for 'Multisystem Country' Is Accepted; Wei Yung 7614 6978 Believes That the Range of Application Is Fairly Broad"]

[Text] "Dual recognition is the actual application of the concept of a multisystem country; the concept of a multisystem country also provides a theoretical basis for rationalizing dual recognition." Wei Yung, director of the Institute of Revolutionary Practice, who was the first to advocate the concept of "multisystem country" over 9 years ago, affirmed the recent move of the Taiwanese diplomatic authorities to overcome diplomatic misgivings and officially announce the establishment of a full



diplomatic relationship with the Grenada Government, which also has diplomatic relations with Communist China.

Wei Yung has been searching for years for a favorable development direction to ease Taiwan's diplomatic predicament and continued to publicize this very original idea of a "multisystem country." Although his "original idea" was not accepted and applied until almost 10 years later, he was still excited and optimistic about it. He said: "It is never too late."

During the interview with TZULI WANPAO reporters, Wei Yung highly approved of the Taiwanese diplomatic authorities for finally overcoming various long-standing misgivings and breaking through various shackles. He said: "We have been holding the hot potato for so long and it is about time to throw it away! Since the hot potato is no longer in our hands, we should be able to do more positive things in the future!"

The following is a summary of the interview with Wei Yung:

[TZULI WANPAO] Almost 10 years ago you were the first to raise the concept of "the issue of unification of a multisystem country," but it was not accepted by policymakers at the time. Today this concept has obviously become the basic concept of the policymaking departments of Taiwan in developing foreign relations. How do you feel about this?

[Wei Yung] As a scholar concerned about the development of the future of our country, I always keep the general goal in mind—I will make any suggestion if it benefits the country. There were probably a few politicians who held different views at the time, but I had nothing to hide, nor was I discouraged. Today, facts have proved that as long as we have the mentality of breaking with tradition, we still have bright prospects for the future.

[TZULI WANPAO] What was your main goal and objective when you advocated the concept of a "multisystem country" at the time? Does the pattern Taiwan used to announce the establishment of diplomatic relationship with Grenada conform to the concept you advocated?

[Wei Yung] The main goal of the "multisystem country" concept I advocated is to lay a theoretical foundation for multisystem countries to develop diplomatic relations and get qualifications under the international law, on the prerequisite of affirming the goal of national unification. The key is to handle the "issue of unification" and the "issue of recognition" separately. Unification is determined by the wishes of the people in different parts of a multisystem country, whereas recognition is to recognize the fact that different systems indeed exist currently in the country and that we should no longer insist on exclusiveness. This will actually help all multisystem countries, including Taiwan, to vigorously develop foreign relations in the future.

Under the principle of "practical diplomacy," the foreign policy-making authorities of the government made a breakthrough and announced the establishment of diplomatic relationship with Grenada. This is what we called a creative move.

As a matter of fact, the pattern of "dual recognition" similar to that of establishing diplomatic relations between China and Grenada is the actual application of the concept of a multisystem country; this concept also provides a theoretical basis for rationalizing the pattern of dual recognition.

At the same time, another major significance in the establishment of diplomatic relations between China and Grenada is that under the prerequisite of one China, the Taiwanese Government "tolerates" the fact that other countries simultaneously recognize the existence of Communist China. However, this does not mean that we recognize the legality of the Communist Chinese regime and accept "two Chinas."

[TZULI WANPAO] What kind of impact will the reaction of Communist China have on the pattern of dual recognition formed by the establishment of diplomatic relations between China and Grenada?

[Wei Yung] Communist China is bound to resist any breakthrough we made. I think that the Taiwanese authorities must have considered all possible reactions of the other side. This is our chance to initiate attacks and directly face our problems. As long as we can break through our shackles and throw away the hot potato, we may let Communist China worry about the possible consequences its reactions may cause. However, we do not need to make too many strong statements and gestures before they react to the matter, because it is not necessarily good for us.

[TZULI WANPAO] In addition to providing a theoretical basis for Taiwan to expand and develop diplomatic relations, what is the future for the concept of the "multisystem country" to be applied to the development of political and economic policies of Taiwan?

[Wei Yung] My attitude is cautious and optimistic. As a matter of fact, the application of the concept of the multisystem country is not limited to the establishment of official diplomatic relationship with Grenada. The space and range of its application are very broad. Our future long-term relationship with the mainland may also need this kind of new interpretation to be rationalized. However, policy itself does not necessarily need to use any theory, although scholars and the media may use it to explain the policy in order to maintain greater flexibility.



### Speculation on Next DPP Chairman

40050664b Taipei TZULI WANPAO in Chinese  
23 Jul 89 p 2

[Report by staff reporter Wu Tien-jung 0702 0368 1369 from Taipei: "Who Will Be the Next Boss?"]

[Text] In light of the fact that the two major factions of the Democratic Progressive Party [DPP] may reach an agreement to hold the reelection of party chairman this year as scheduled, the DPP is planning to hold a party representative meeting on 14-15 October for the reelection of party chairman. Who will become the next party leader of the DPP? It is reported that the most likely candidates are current DPP chairman Huang Hsin-chieh [7806 0207 0094] and two former DPP chairmen: Yao Chia-wen [1202 0857 2429] and Chiang Peng-chien [3068 7720 1017]. In addition, some people say that Lin I-hsiung [2651 0034 7160], Chiu Lien-hui [6726 6647 6540], Hsieh Chang-ting [6200 7022 1694], and Chen Yung-hsing [7115 3057 5281] are all suitable candidates.

If the reelection of party chairman is held this year, the general speculation is that the New Formosa faction will choose current party chairman Huang Hsin-chieh to seek reelection. Huang Hsin-chieh is still the boss of the New Formosa faction as well as the one that is most acceptable to all groups and sections of the faction. Huang Hsin-chieh thinks that party chairman is a thankless position and occasionally complains that "he would rather resign." However, when faced with such heavy responsibility, Huang Hsin-chieh sometimes also feels that he is the only one who can do this job. Under both subjective and objective conditions, Huang Hsin-chieh still is the best chairman candidate chosen by the New Formosa faction.

With regard to the possible candidates of the New Trend faction, the general view still favors Yao Chia-wen or Chiang Peng-chien.

After last year's intense competition for party chairman, Yao Chia-wen felt discouraged and downhearted. Besides, this year he must help his wife Chou Ching-yu [0719 3237 3768] run for magistrate of Changhua County, so, as of today he has not expressed a strong desire to run for next party chairman. However, Yao Chia-wen expressed that he personally had very little desire to run, but he would reconsider if it was for the party as a whole.

Chiang Peng-chien personally has very little desire to be party chairman again. He thinks that we should train new people to serve as party chairman. Chiang Peng-chien said that the DPP originally designed the 1-year term in the hope that party chairman will be a different person every year because new people are more flexible and more likely to adapt to different environments.

Due to his personal background and experiences, Lin I-hsiung is still the most respected person in the DPP.

It is reported that Lin I-hsiung has said that he will not return to Taipei until the yearend general election is over. Therefore, the chances of Lin I-hsiung returning to Taipei to participate in the election are slim.

Another member of the DPP often mentioned as a candidate for party chairman is legislator Chiu Lien-hui. He has served as provincial legislator, magistrate of Pingtung County, and member of the Legislative Yuan. With complete qualifications and experience like this, plus his clean reputation and good personal relations in the DPP, Chiu Lien-hui too is often considered the best candidate for chairman. However he belongs to the New Formosa faction and the candidate of the New Formosa faction this year is still Huang Hsin-chieh, so he may be the alternate candidate for chairman.

Some people have also mentioned nominating Taipei City Legislator Hsieh Chang-ting for party chairman. The most important reason for considering him is that, in addition to his clean and fresh image, he is still waiting for the court decision on the "June 12th" case. He was charged in this case because he had been in charge of DPP activities. Because of this, some people have suggested that Hsieh Chang-ting be the next party chairman, meaning that the entire DPP would be responsible for the case. When the court rules on this case, it must consider the consequences of convicting the chairman of the DPP.

Chen Yung-hsing, the human rights physician, has also been considered as a candidate. He has served as the chairman of the Taiwan Human Rights Promotion Association and engaged in the activity to promote the 28 February Peace Commemoration Day. All these human rights movements have raised his reputation. Besides, he is very concerned about the future of the DPP. Due to these reasons, some people believe that he will accomplish a lot if he becomes the party chairman. However the key is that Chen Yung-hsing has to get the support of at least one faction in the DPP. Otherwise, in spite of his good reputation, it will be impossible for him to become the DPP chairman.

Who will have the political taste of the "party boss" of the DPP? Will it be an old face? Or will it be a new one? Many people have begun to show interest in this topic.

### Absentee Senior Legislators Under Fire

40050664c Taipei TZULI WANPAO in Chinese  
26 Jul 89 p 2

[Report by reporter Chen Tsui-lien 7115 5050 5571 in Taipei: "Why Don't Legislators Quit If They Are 'Always' Absent?"]

[Text] Statistics show that 50 senior legislators requested leave of absence from over half the 44 meetings of the last session (83rd) of the Legislative Yuan, and that 68 senior legislators, accounting for more than a third of the total number of senior legislators, requested leave of absence from over a fourth of the meetings. Amid

constant calls for resignation, this group of senior legislators, who are chronically ill and unable to carry out their duties, may become the main targets to be persuaded to resign.

Another wave of heated public opinion has been stirred up on the issue of resignation. Additional legislators of the ruling and opposition parties have joined hands in forcing senior legislators to resign. Public opinion is high and strong on this issue, especially when facing the pressure of the yearend general election. However, senior legislators' resistance to resignation has weakened not even slightly. They have even united their colleagues to form an organization, creating much headache for the ruling party.

In order to properly resolve the issue of senior people's representatives and get some results, the ruling KMT [Kuomintang] committee of the Legislative Yuan sent some people out to diligently record the attendance of senior legislators and to make a list of legislators who are in bad health and are inefficient as targets to be persuaded to resign. The KMT committee of the Legislative Yuan also decided at its committee meeting to refuse to accept requests for long-term leaves of absence. The Senior Legislators' Friendship Association, which was organized to resist resignation, also "unified their story" and announced to the outside that only those senior legislators who are chronically ill or who have stayed overseas for many years should volunteer to resign. This announcement was made to relieve pressure from all circles who try to force them resign.

According to the minutes of the Legislative Yuan on the statistics of the attendance of legislators, senior legislators who diligently attended every meeting and were never absent from any of the 44 meetings of the current session of the Legislative Yuan accounted for 43, including such active members as Liang Su-jung [2733 5126 2051], Lin Tung [2651 2767], Mo Hsuan-yuan [5459 5503 0337], Liang Hsu Chun-chu [2733 6079 2504 5468], Chang Tzu-yang [1728 1311 2254], Chang Hung-hsueh [1728 7703 1331], and Chen Tsang-cheng [7115 5547 2973]. There were also quite a few senior legislators who were frequently absent.

The Legislative Yuan now has a total of 283 members, including 70 additional members of the Taiwan area, 24 members elected by Overseas Chinese, and 189 senior members. In other words, senior members still account for the majority of the Legislative Yuan. Under general circumstances, there are always 40 to 50 senior members absent. As a result, the meeting is often postponed due to a lack of quorum. Even during important events, such as electing the president and the vice president of the Legislative Yuan and exercising the right to approve appointment of the president of the Legislative Yuan, there were still about 30 senior members who could not attend.

Statistics show that during the current session of the Legislative Yuan, 6 members requested leave of absence

from the chairman and did not report for duty; 9 members requested leave or were absent from all 44 meetings of this session; 21 senior members requested leave or were absent from three-fourths of the meetings; and 14 senior members requested leave or were absent from over half the meetings.

In other words, a total of 50 senior legislators requested leave or were absent from over 50 percent of the meetings. If we add the 18 members who requested leave or were absent from nearly 30 percent of the meetings, the number of senior legislators who were constantly absent will be 68, over a third of the total number of senior legislators.

However among the 68 absentee senior legislators, only 9 submitted resignations. The remaining 59 did not like to attend meetings, nor were they willing to submit resignations, causing the ruling party to face tremendous criticism and pressure from public opinion.

### Brighter Prospects Seen for Japan-Taiwan Relations

40050576 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 6, 1 Jun 89 pp 62-63

[Article by Nan Fang-shuo 0589 2455 2592]

[Text] At the beginning of May, accompanied by Ma Chi-chuang [7456 4764 1104], representative to Taiwan's "underground embassy" in Japan—the Association of East Asian Relations—Kanemaru Shin, former Liberal Democratic Party [LDP] secretary-general, Self Defense Forces director-general, and deputy prime minister, quietly visited Taiwan. Kanemaru Shin's visit to Taiwan far from received its proper respect. This is because for many years now Taiwan has been consistently "America-oriented," and the authorities in Taiwan have painstakingly constrained Japan's influence on Taiwan for a long time, even though the people's lifestyle and in particular that of the younger generations is increasingly "East Asian."

Actually, this visit by Kanemaru Shin is of relatively great significance. This "senior statesman," who held an extremely high position in Japan's LDP, seeing that bilateral political relations are becoming more estranged each day, has practically decided to take on the role of a "navigator" in Japan-Taiwan relations. He called upon Li Teng-hui and Yu Kuo-hua during his stay. As noted by those in his company, Kanemaru Shin indicated to the two that Japan-Taiwan relations await improvement. After returning to Japan he decided to organize a group composed of 14 or 15 younger Dietmen to visit Taiwan as soon as possible. He will act as delegation leader.

Kanemaru Shin is powerful in Japanese political scene. He desires to give regard to Japan-Taiwan relations at the moment. His motive is easy to understand, although the difficulties he might run into are formidable. Regarding motivation, from the end of the war until now, Japan has consistently been Taiwan's largest export

market, while Japanese exports to Taiwan have always accounted for about a third of its trade volume. In theory, Japan-Taiwan relations should be relatively close, but at issue are the painful historical memories of the years when Japan invaded China and, moreover, occupied Taiwan, making Taiwan regard reliance on Japanese imports as a "necessary evil." In its personnel as well as even cultural policies, Taiwan has actively sought to avoid "Japanese elements." Taiwan's bureaucracy is almost entirely full of the "American faction." Those who understand the Japanese language are so few as to be easily counted. Years ago, Japan had some elder statesmen such as Kishi Nobusuke and Nadao Hirokichi, who were private friends of Chiang Kai-shek, but they have all either died or retired due to age. At present, it is difficult for the minority "Japanese faction" in the Taiwan bureaucracy which understands the Japanese language to show itself under the political atmosphere of being distant from Japan. Japanese politicians in Taiwan are not given courteous receptions, so naturally even personnel exchanges have dwindled.

But now that the "anti-Japanese pro-American" Chiang Ching-kuo has passed on, Taiwan's new leader, Li Teng-hui, who completed his education under the Japanese during the occupation of Taiwan, has publicly stated that there is much to learn from Japan. Although it may be that he cannot say Taiwan should be pro-Japanese, at least he is not anti-Japanese. As for Japan, Li Teng-hui may be the person who can see to it that Japan-Taiwan relations are improved. It is obvious that in desiring to bring a delegation to visit Taiwan and renew bilateral relations, Kanemaru Shin has seen that there may be great possibilities for Japan-Taiwan relations.

However, Japan's political system is one of the world's most homogeneous. The highest echelons of the Japanese Government pay great respect to the tradition of drawing upon family and school connections. Such a feudalistic nature on the part of the Japanese political arena is clearly seen in their foreign relations. Almost everyone who has had to deal with Japanese diplomats says that it is very difficult to make headway with them. This is true for Taiwan and even for the United States. In the 40-odd years since the end of World War II, Taiwanese exchange students in the United States have been the main force. As for those who have been exchange students in Japan, not only is it difficult for them to appear in the bureaucracy, but they are constrained even in academia. This has been true for a long time. The result is that, excluding the still many in commerce who are fluent in Japanese, very few "fluent in Japanese" are in the bureaucracy, as representatives of the voice of the people, or even in academia. A short time ago Japan's Japan-China Relations Deliberation Council submitted a request to Taiwan, hoping that it would organize an equivalent body representing popular will in order to promote bilateral political exchange. Since there are too few who are fluent in Japanese in Taiwan's three central legislative organizations, such an organization could not be created and the project was dropped. Given that this

is the structure within which to work, Japan's "new elder statesman" Kanemaru Shin will face formidable hardships in his desire to renew Japan-Taiwan relations.

However, even though Japan-Taiwan relations face formidable difficulties, Kanemaru Shin is still relatively optimistic. It is not wishful thinking alone; there is still cause for optimism. The most crucial factor is Li Teng-hui, since he is relatively mindful about relations with Japan. Under Li's future leadership, it is very possible that some people fluent in Japanese may be given important posts. It is also possible that Japan-Taiwan relations will be promoted more frequently and publicly, creating a new atmosphere.

Of Taiwan's three postwar leaders, Chiang Kai-shek was not anti-Japanese but pro-American, thus Japan-Taiwan relations could only be maintained in a certain but gradually weakened state. Due to the fact that his real mother, Madame Mao Fu-mei, died at the hands of a Japanese bomb, Chiang Ching-kuo had carved on her grave the words "Pay blood debts in blood," so his "anti-Japanese" stance is clear. Thus, Japan-Taiwan relations cooled off even quicker during Chiang Ching-kuo's time. As for the present Li Teng-hui, it is said that the highest echelons of the Japanese Government have high hopes for him due to the fact that he grew up under Japanese occupation, and as early as when he was the governor of Taiwan Province and vice president, he repeatedly revealed his non-anti-Japanese attitude.

Here we would like to draw a special example to explain something. In the past year, many families in Taiwan have added their own small circular radar dishes to the antennae of their televisions. These are called "little ears." They allow people to receive Japanese TV programs. A while ago the little ears sprouted up everywhere, and a Japanese "cultural invasion" was a topic of conversation. Taiwan's Government Information Office announced that installing little ears was illegal. Yet at the beginning of 1989, it suddenly announced that the ears are now legal. The attitude of Taiwan's bureaucracy has not changed. A series of Japanese diplomats and journalists in Taiwan asked whether this change of attitude originated with an order by Li Teng-hui—the way people phrase questions often reflects their own thinking. From this example regarding the little ears, it is clear that they felt that Li Teng-hui might become increasingly "close to Japan."

It is actually not surprising that the Japanese have hopes for Li Teng-hui. Li is clearly superior in Japanese than in English. According to his secretary, a majority, or about two-thirds, of the books and magazines that Li personally subscribes to are in Japanese. This indicates that his main sources of information are written in Japanese. In addition, Li is relatively knowledgeable about Japanese history. He has used the Meiji, Taisho, and Showa "three eras of founding the country" to encourage Taiwan to "found the country in a single era." He has also urged Taiwan to reform using Japan's "Meiji Reformation

Plan" as blue print. For many years now he has repeatedly stressed that it is worthwhile for Taiwan to learn from Japan's economic creativity.

To summarize Li Teng-hui's viewpoint, he actually has a comparatively clear "Asian outlook." He believes that the 11 western Pacific countries long ago surpassed Western Europe in terms of trade with the United States. Therefore, these 11 countries should cooperate with the United States in order to contend with the Soviet Union's encroachment to the north from the Sea of Okhotsk and to the south from Cam Ranh Bay. He has even gone so far as to point out that Taiwan is situated at the hub of the western Pacific, forcing it to be close to the United States and ally with Japan as it develops toward Southeast Asia. According to one of Li's staff in the know, at present Japanese investment and technology are gradually flowing abroad, centering on Singapore, Hong Kong, and Southeast Asia. At the present stage, unless Taiwan independently develops super high-technology reformation capabilities, it definitely must not lag behind others in terms of attracting Japanese investment and technology. It has to stick close to the United States and Japan.

Because of this, Li Teng-hui directed the Ministry of Economic Affairs to import Japanese technology to the tune of \$1 billion after he became president last year. Moreover, he also began a large-scale initiative to win Japanese investment. As a result, in 1988 there were 60 American investment projects worth \$135 million versus 212 Japanese investment projects worth \$431 million,

setting a record as the first time in recent years that Japanese investment has surpassed American. This phenomenon naturally is due to Japan's large-scale overseas investment in 1988. However, to a certain extent it also indicates Taiwan's initiative as well as the "faith" of the Japanese in Li Teng-hui. It is very clear that Japan-Taiwan relations have truly begun to improve slowly under Li's tenure.

Besides these superficial developments, it is said that Japan has recently greatly assisted Taiwan in many other respects. For example, Shirley W. J. Kuo [6753 1238 1369] led a delegation to Beijing to chair the Asian Development Bank's [ADB] annual meeting. Since the ADB has practically become a Japanese bank, the Japanese Government extended a certain amount of indispensable assistance to Kuo and the others. If the Japanese can help to promote a channel between the two shores, it is equivalent to currying favor with the authorities in Beijing. Thus, according to those behind the scenes who know, many matters preceding Kuo Wan-jong's trip to Beijing were accomplished through Japanese help. As for Japan's future role, it may be that there will be yet other opportunities for Japan to act as an intermediary between the straits!

It is said that Li Teng-hui has indicated that if possible, he would like to visit Japan unofficially. As it stands, it will be difficult for him to get his wish in the foreseeable future. Of course, if Japan-Taiwan relations improve, the bilateral atmosphere is good, and provided that there is a tacit agreement with Mainland China, it may be that this secret wish of his may come to pass one day!

### Work To Resume on Basic Law

40050665a Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 30, 24 Jul 89 p 3

[Article by Yuan Yang 6678 3152: "Make All Efforts To Complete the Drafting of Hong Kong Basic Law on Schedule"]

[Text] After a period of suspension, the solicitation of opinions and the drafting of the Basic Law of the Hong Kong Special Administrative Region will soon be resumed.

It is reported that the meeting of NPC [National People's Congress] Standing Committee chairmen, which was held on 12 July, adopted the proposal of the meeting of the Basic Law Drafting Committee chairmen and extended the time limit to the end of October for the solicitation of opinions on the draft. The meeting of the Basic Law Drafting Committee chairmen continued to ask the Hong Kong Basic Law Consultative Committee to carry out consultation in the Hong Kong area and to submit the consultation report to the drafting committee at the end of November. Beginning 11 December, five special subject groups of the drafting committee will meet one after another in Guangzhou to study opinions from various circles and make further revisions of the draft of the Basic Law. An enlarged meeting of the chairmen of the drafting committee will be held 6-8 January 1990 in Beijing to discuss the opinions of various special subject groups on the revisions of different chapters. Then the ninth plenary session of the Basic Law Drafting Committee will be held on 9 January in Beijing and the draft Basic Law revised at this meeting will be submitted as originally planned to the Seventh NPC Standing Committee for examination and approval. Then the draft law will be submitted to the Third Session of the Seventh NPC Central Committee, which will be held in the spring of 1990, to be deliberated on and adopted.

Local people point out that quickly resuming the drafting of the Basic Law of Hong Kong and submit on schedule the revised draft of the Basic Law to the Third Session of the Seventh NPC Central Committee for examination and approval conform to the basic interests of the broad masses of compatriots in Hong Kong.

If we count from the the first plenary session of the drafting committee, which was held on 1 July 1985, the drafting of the Basic Law of Hong Kong has taken more than 4 years, including the stages of preparation, investigation and research, and actual drafting of the articles of the Basic Law. The seventh plenary session of the drafting committee, which concluded in April 1988 promulgated the draft Basic Law for the solicitation of opinions and adopted measures for the solicitation of opinions, indicating that the drafting work entered the important stage of soliciting opinions. In January 1989, the eighth plenary session of the drafting committee adopted the draft of the Basic Law to be submitted to the NPC Standing Committee for examination

and approval. In March 1989, the Second Session of the Seventh NPC Central Committee promulgated the draft Basic Law of Hong Kong and decided to solicit further opinions and to make full preparations for the Third Session of the Seventh NPC Central Committee, which will be held in the spring of 1990 and will officially adopt the Basic Law of Hong Kong. All stages of the drafting work were carried out in a democratic and open manner.

Thanks to the active interests of people at all levels in Hong Kong and the inland, and thanks to the efforts of the Hong Kong and inland drafting committees, over 4 years of drafting work started out from scratch and gradually progressed to make fruitful, promising, and hard-earned results. Statistics show that the draft Basic Law promulgated in March 1989 made substantial changes in the draft of the Basic Law promulgated in April 1988 for the solicitation of opinions. The original 10 chapters and 172 articles were reduced to 9 chapters and 159 articles. The second draft made over 100 changes in the first draft for the solicitation of opinions. Most of the changes were made based on the opinions solicited by the Hong Kong Basic Law Consultative Committee from the people of all strata in Hong Kong. Facts have proved that the drafting work of the Basic Law has been supported by the people of all strata in Hong Kong and that the promulgated draft Basic Law has embodied the wisdom of the public of all circles in Hong Kong, the people on the mainland, and the Hong Kong and inland drafting committees. Therefore, the people have a reason to cherish the hard-earned achievement.

The drafting of the Basic Law of Hong Kong concerns the future and prospects of Hong Kong as well as the immediate interests of over 5 million compatriots in Hong Kong. It is an unprecedented, complex, and arduous task. Through 4 years of drafting, the people have become increasingly clear about the fact that the Basic Law will be linked to the political operations of Hong Kong during the transitional period and that after 1997 the Basic Law will be the important foundation of Hong Kong law. Therefore, the drafting of the Basic Law should conform to the spirit of the Sino-British Joint Declaration and the principle of "one country, two systems." It should maintain the unity of our country and the integrity of our territory as well as embody the high degree of autonomy in Hong Kong. It should be conducive to the development of the capitalist economy of Hong Kong, while considering the interests of all strata of Hong Kong. It should keep the strong points of the original political system of Hong Kong and gradually develop democracy in line with the conditions of Hong Kong. It should not automatically copy Western-style democracy; nor should it move the socialist democracy of the inland to Hong Kong.

Jiang Zemin, general secretary of the CPC Central Committee, recently pointed out that using the principle of "one country, two systems" to solve the Hong Kong issue is not only a diplomatic demand but also a solution proceeding from the basic interests of Hong Kong and

China as a whole. This solution is conducive to Hong Kong and China as a whole, as well as to Britain and other countries.

Jiang Zemin further elaborated on the implementation of "one country, two systems." He said: "It means that I will practice my socialism and you practice your capitalism. I will mind my own business and you mind yours. I will not practice socialism in Hong Kong, Macao, and Taiwan, and you should not take your capitalism to the inland."

The solemn declaration made by Jiang Zemin on behalf of the CPC Central Committee was a carefully thought out statement. It told the whole world that some readjustments were made in the high-ranking leadership of the CPC, but the principle of using "one country, two systems" to solve the issue of Hong Kong, Macao, and Taiwan remained unchanged because it conforms to the basic interests of Hong Kong and China as a whole and is also conducive to the interests of Britain and other countries.

Not long ago, Beijing had an incident in which students strikes developed into riots, which then developed into counterrevolutionary rebellion. Hong Kong compatriots had some misunderstandings because they did not understand or fully understand the truth of the whole incident. The drafting of the Basic Law of Hong Kong was also interrupted because of this. Now, decisive victory has been declared in putting down counterrevolutionary rebellion. The 4th Plenary Session of the 13th CPC Central Committee made readjustments in the leadership of the CPC and reiterated that the principles, lines, and policies set forth by the 13th party congress will remain unchanged. All this has cleared the way for the sound development of China and laid a more solid foundation while creating good conditions for the drafting of the Basic Law of Hong Kong.

It is needless to say that the drafting of the Basic Law of Hong Kong indeed faces new situations and problems. But we believe that we will certainly overcome difficulties and complete on schedule the drafting of the Basic Law of Hong Kong if we strengthen coordination, search for common ground, eliminate interference, and deal with the new situations and problems in a calm and rational manner, based on the achievements made in over 4 years and in the spirit of high responsibility for the great cause of the reunification of our motherland and the basic interests of Hong Kong and China as a whole. The Chinese people will use their wisdom and talents to write a new page in the world history of the making of a constitution.

### People's Confidence 'Climbing'

40050665b *Hong Kong MING PAO in Chinese*  
28 Jul 89 p 2

[Text] After the June 4th incident in Beijing, the confidence of Hong Kong residents at once fell to rock bottom. However, according to the latest confidence index of the Hong Kong Market Research Company, the confidence of Hong Kong people has shown signs of picking up.

In June, the confidence index of Hong Kong residents fell to the lowest point since 1985—only 82 points—but after 1 month, it climbed back to 86 points, equivalent to that of March and April 1989.

The base figure of this confidence index is the 100 points of January 1985.

The latest poll, sponsored by MING PAO, conducted random sampling by interviewing 540 Hong Kong citizens aged between 15 and 64.

The findings of the poll show that 10 percent of Hong Kong residents have great confidence in Hong Kong's future, 42 percent have some confidence, 33 percent have little confidence, only 7 percent have no confidence at all, and 9 percent do not know.

The poll also shows that 72 percent of Hong Kong residents whose family members have certificates of permanent residence in foreign countries have no plans to emigrate in 3 years, and 75 percent of Hong Kong people whose family members have no certificates of permanent residence in foreign countries also have no plans to emigrate in 3 years.

Of those who do not plan to emigrate, 68 percent said that they are not qualified for emigration and will accept reality; 62 percent adopt the wait-and-see attitude; 24 percent said that they will hold on to their jobs and work hard; only 7 percent said that they will not emigrate, but will do everything to send their families overseas.

With regard to the issue of the Basic Law, the attitude of Hong Kong residents is divided between positive and negative—55 percent think that they should continue to be actively involved in the formulation of the Basic Law; 44 percent think that it will make no difference whether they are involved or not.

Of those who think that they should be involved in the formulation of the Basic Law, 32 percent think that a good Basic Law can guarantee prosperity and stability in the future, and 22 percent think that Hong Kong people's participation in the formulation of the Basic Law can prevent China from promulgating the law unilaterally.

Of those who think it will make no difference whether or not they are involved, 16 percent think that the Basic Law has no practical use; 28 percent think that China will not respect Hong Kong residents' opinions so it makes no difference whether or not they are involved.